The Dissertation Committee for Christopher Roy William Dietrich certifies that this is the approved version of the following dissertation:

THE PERMANENCE OF POWER: POSTCOLONIAL SOVEREIGNTY, THE ENERGY CRISIS, AND THE RISE OF AMERICAN NEOLIBERAL DIPLOMACY, 1967 - 1976

Committee:

Michael B. Stoff, Supervisor

Mark Atwood Lawrence, Co-Supervisor

David Oshinsky

H. W. Brands

Jeremi Suri

David Painter

THE PERMANENCE OF POWER: POSTCOLONIAL SOVEREIGNTY, THE ENERGY CRISIS, AND THE RISE OF AMERICAN NEOLIBERAL DIPLOMACY, 1967 - 1976

by

Christopher Roy William Dietrich, B.A.; M.A.

Dissertation

Presented to the Faculty of the Graduate School of

The University of Texas at Austin

in Partial Fulfillment

of the Requirements

for the Degree of

Doctor of Philosophy

The University of Texas at Austin

August 2012

History was a drama with many acts; it was moved by conflicts of forces in the realms of both ideas and reality.

Isaiah Berlin, 1988[1]

[1] Isaiah Berlin, "On the Pursuit of the Ideal," *New York Review of Books* 35: 4 (March 17, 1988), 11.

For Verónica and Emiliano

Preface

A line from David Lodge's satire, *Small World*, provides some insight into the mania of academic life: "Scholars these days are like the errant knights of old, wandering the ways of the world in search of adventure and glory."[2] The sentence drips with irony. Egos aside, scholars rarely lead lives filled with adventure. Only in the most special cases does our work have anything to do with glory. But, Lodge's mocking tone becomes strangely poignant in the transition from simile to explanation. Scholarship requires one to wander. As often as not, that wandering is errant.

The generous backing of the History Department and the Institute for Historical Studies at the University of Texas at Austin, International Security Studies at Yale University, the Society for Historians of American Foreign Relations, the American Historical Association, and the National History Center allowed for long research trips and dedicated writing time.

I have been privileged with excellent mentors. At the University of Texas, Mark Lawrence and Michael Stoff provided sage advice, sharp critical eyes, and good humor as advisers. At Yale, Paul Kennedy and John Lewis Gaddis encouraged me to tackle important issues with clarity. These scholars, each in his way, surely represent what is good about academic life.

Other scholars provided valuable input on several chapters. Thanks to David Painter, Jeremi Suri, H. W. Brands, Ryan Irwin, Laurie Green, Brandon Wolfe-Hunnicutt, Christopher Phelps, Maximilliano Trentin, Bevan Sewall, Maria Ryan, Nate Citino, Douglas Little, James Goode, Yoav Di-Capua, Roham Alvandi, Carole Fink, John

[2] David Lodge, *Small World: An Academic Romance* (London: Secker and Warburg, 1984), 63.

Darwin, Jason Parker, Philippa Levine, Nick Cullather, Erez Manela, and Wm. Roger Louis for reading and commenting.

Young historians I consider friends—from the University of Texas, Yale, the National History Center, and the Society for Historians of American Foreign Relations, and elsewhere—are too many to list. Eli Wood and Asher Burk hosted me on research trips. My grandparents and little brother provided great encouragement. My parents, Rick and Robin Dietrich, were models of support.

Verónica Jiménez Vega is the most spirited person I have ever met, with the possible exception of our son, Emiliano Dietrich-Jiménez. Without their presence my wandering would have been more errant and less fun. To them I dedicate this dissertation.

All mistakes are my own.

The Permanence of Power: Postcolonial Sovereignty, the Energy Crisis, and the Rise of American Neoliberal Diplomacy, 1967 - 1976

Christopher Roy William Dietrich, PhD.

The University of Texas at Austin, 2012

Supervisors: Michael B. Stoff, Mark Atwood Lawrence

The dissertation addresses the causes and consequences of the 1973-1974 energy crisis. A new postcolonial concept of sovereignty, "permanent sovereignty over natural resources," challenged the structure of the international economy in the early 1950s. The proponents of permanent sovereignty identified the relationship between the industrial nations and raw material producers as a vestige of empire. By gaining control over national resources, Third World leaders hoped to reset the relationship between the developing and developed nations.

The concept of permanent sovereignty authenticated new definitions and goals of decolonization and statehood. A new middle ground between U.S. diplomacy and Third World economic thought emerged in international oil politics. Chapters on the 1967 Arab oil embargo, Saudi and Iranian demands in the wake of imperial Britain's Persian Gulf withdrawal, the legal battles over the Iraqi Ba'ath regime's nationalized oil, and the reverberating effects of newly radical Libyan politics, explain how members of the Organization of Petroleum Exporting Countries (OPEC) remade permanent sovereignty between 1967 to 1972.

OPEC underscored the salience of permanent sovereignty in the international political economy, but it also undermined it. The built-in tension culminated in the 1973-1974 energy crisis. The final chapters discuss how the impregnable sovereignty preached by OPEC and its transnational backers in the New International Economic Order engendered a strategic response from the United States: neoliberal diplomacy. OPEC's cartel politics became a scapegoat for policymakers who simplified and codified neoclassical economic ideas. Market-centered reform developed into an analytical refuge in the political-economic wreckage of the energy crisis. American strategy toward the International Monetary Fund and the United Nations reveal that neoliberal diplomacy became widely influential in U.S. foreign policy.

Table of Contents

Introduction: *The Energy Crisis in History*

"As we who trod this path before know so well, the decolonization process is only the first phase," the minister of foreign affairs of Guyana, Frederick Wills, warned the United Nations' newest members in 1975. "In the wake of victory comes added emphasis on economic liberation, cultural reaffirmation, and psychological decolonization," he told the ambassadors of recently independent Cape Verde, Sao Tome and Principe, and Mozambique.[3]

The first item on Wills' list, economic liberation, confronted the nations of the developing world in the second half of the twentieth century. Wills and fellow leaders from across the so-called "Third World" understood economic liberation as the elimination of constraints left over from the defunct imperial order. "Most of us have inherited economies which had been distorted or malformed—economies based on a single crop or mineral, with enclaves organized as parts of the metropolitan country," he continued, in a classic explanation of the postcolonial belief that atavistic inequalities still ruled the international economy. "As we have come to see clearly that it is this system which has made us poor, it is inevitable that all the vital economic issues be increasingly politicized," Wills concluded.

Delivered from the rostrum of the UN General Assembly, the speech struck a delicate balance between rhetoric and reality. Rhetorically, it captured the essential historical connection between international politics and economics in the postwar era, a central concern for many actors. In real terms, one event stood at the forefront of Wills and his listeners' minds, known worldwide as "the energy crisis." Two years earlier,

[3]UN Doc A/PV.2370, Provisional Verbatim Record, October 1, 1975, The Papers of Daniel P. Moynihan, I: 334, Manuscripts Division, Library of Congress.

upon the outbreak of the October 1973 Arab-Israeli war, Arab oil producers had declared an embargo on the supporters of Israel, including the United States. The other members of the Organization of Petroleum Exporting Countries (OPEC) saw the financial advantage of the Arab position. OPEC imposed a unilateral four-fold increase in world oil prices between October and January 1974.

The price increases were chronically bound up with questions of diplomacy and the international economy.[4] For Wills, the energy crisis crowned a three-decade intellectual, moral, and political endeavor to achieve nothing less than economic decolonization. By emphasizing that imperial inequalities still dominated the relationship between what often were referred to simply as the "rich" and the "poor" countries, he identified his membership in a coterie of Third World politico-intellectuals bound together by a cohesive school of economic thought. This Third Worldist doctrine—characterized by the desire for "permanent sovereignty over natural resources," or "permanent sovereignty" for short—argued for the use of national power to force increases in the prices of raw materials. By using national and transnational influence to control the global price of oil, the OPEC nations had distilled a long-brewing discontent.

[4]One scholar memorably describes the energy crisis as history's largest nonviolent transfer of wealth and the most fundamental reordering of power since World War II. Steven A. Schneider, *The Oil Price Revolution* (Baltimore: Johns Hopkins University Press, 1983). The second half of this claim is more debatable than the first, as it depends on the working definition of power. Seminal works charting the development of power as a concept of analysis in international politics are Robert Dahl, "The Concept of Power," *Behavioral Science* 2:3 (July 1957): 201-215; Steven Lukes, *Power: A Radical View*, 2nd ed. (New York: Palgrave MacMillan, 2004 [1974]); Hedley Bull, *The Anarchical Society: A Study of Order in World Politics* (New York: Columbia University Press, 1977); W. H. McNeil, *The Pursuit of Power* (Chicago: University of Chicago Press, 1982); and Robert O. Keohane and Joseph S. Nye, Jr., *Power and Interdependence*, 2nd ed. (Glenville, IL: Scott, Foresman, 1989). For a complementary definition, see Michele Foucault, *Discipline and Punish: The Birth of the Prison*, trans. Alan Sheridan (New York: Pantheon, 1977), 24-38. This dissertation takes a broad definition of international power as the ability of a particular interest to set the international agenda on a given topic. This is close to Lukes' revisionist definition as the ability to set the international agenda, but it incorporates Focault's insight that networks of knowledge inform international power relations. For a hint at how Foucault informs even the least willing of scholars, see Thomas Flynn, *Sartre, Foucault, and Historical Reason,* vol. 2*: A Post-Structuralist Mapping of History* (Chicago: University of Chicago Press, 2003), 230-259.

It was no wonder that Wills, a London-trained legal scholar who later played a leading role in calls for a Third World debt moratorium, supported OPEC and considered the energy crisis a moral victory.[5]

The energy crisis signified something quite different for the U.S. Secretary of State, Henry Kissinger. The crisis was an abomination to be defeated. Kissinger emphasized his opposition to OPEC and was dismissive Third World objections to the structure of the international economy. "If the weak resort to pressure, they will do so at the risk of world prosperity," he told the General Assembly.[6] His interpretation of the energy crisis reflected assumptions about the global benefits of a liberal economic orientation. Kissinger constructed the free market as an ideal: a rational organizing principle, detached from the coercive and impoverishing legacies of imperialism and nationalism that had afflicted the world in the twentieth century.

The free-market ideal swept through the governing consciousness in the United States during the energy crisis and became a driving force in American diplomacy. The free-market perspective had gained traction in the most powerful international policy circles by 1976. The rise of neoliberal diplomacy, the policy application of free-market thought, came at the expense of Third World nations. Development plans buckled under the burden of expensive oil and ultimately faltered because of unsustainable sovereign debt. At the same time, the United States moved from a mood of uncertainty—the early 1970s had been defined not just by the energy crisis, but also by Watergate, the end of the Vietnam War, and the fall of the Bretton Woods system—to one of unquestioned power.

---

[5] Like many of his generation, Wills held this belief until the end. See Frederick Wills, "A Third World Perspective," *International Negotiation* 1: 2 (1996): 319-322.

[6] Airgram A-4568 from the Department of State to All Diplomatic Posts, June 5, 1974 in William B. McAllister, ed., *Foreign Relations of the United States, 1969-1976*, Volume E-14, Part 1, *Documents on the United Nations, 1973-1976* (Washington: Government Printing Office, 2008), 16.

Kissinger and Wills used strong language, millenarian in tone, to discuss the dialectic between permanent sovereignty and neoliberal diplomacy. The tension reflects competing interpretations of the international economy in the second half of the twentieth century. The friction between these visions reached a zenith during the energy crisis and remained at high pitch during the ensuing rise of oil-related sovereign debt. By framing the energy crisis within the spatial, temporal, and conceptual milieu of permanent sovereignty, Third World leaders sought to reset the agenda of the international political economy. Then, in a shocking twist, Kissinger and his contemporaries used a remarkably similar strategy to consolidate American global power.

Exactly how did this transition occur? What place does the energy crisis hold in twentieth-century international affairs?

The Energy Crisis in Historiography

The dramatic transformation of the international agenda seemed to occur quite suddenly and has had long-lasting moral, intellectual, political, and economic effects. The energy crisis is a pendular instant in international history, one in which one set of ideas gained diplomatic momentum as another lost it. The crisis embodied the problems of a world in transition and served to order the future.[7] Scholars across disciplines are fascinated with these watershed events, mostly due to a universal truth best captured by the William James a century ago: Episodic moments reveal the essence of longer patterns and provide unique views of the human experience.[8]

---

[7] G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars* (Princeton: Princeton University Press, 2000), 10-11; Albert O. Hirschman, *The Passions and the Interests* (Princeton: Princeton University Press, 2003 [1977]), 67-70.

[8] *A Pluralistic Universe: Hibbert Lectures at Manchester College on the Present Situation in Philosophy* (New York: Longman, Green, and Co., 1909), 253.

The energy crisis offers one such window. Oil is the most valuable commodity on earth and historians have discussed its importance in the history of twentieth-century society, politics, economics, and culture in great detail.[9] The "postwar petroleum order," the quarter century after World War II characterized by stable and cheap supply, is rich territory in which historians and non-historians alike have found much of interest.[10]

---

[9] For an introduction, see Daniel J. Sargent, "The United States and Globalization in the 1970s," in *The Shock of the Global: The 1970s in Perspective,* eds. Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent (Cambridge, Mass.: Belknap, 2010). On energy and American political culture, Daniel Horowitz, *The Anxieties of Affluence: Critiques of American Consumer Culture, 1939-1979* (Amherst: University of Massachusetts Press, 2004), 203-244; Meg Jacobs, "The Conservative Struggle and the American Energy Crisis" in *Rightward Bound: Making America Conservative in the 1970s*, Bruce Schulman and Julian Zelizer, eds. (Cambridge, Mass.: Harvard University Press, 2008), 193-209; Meg Jacobs, *Insiders: The Oil Crisis, Conservative Governance, and the Dismantling of the American State since the 1970s* (New York: Hill and Wang, forthcoming). For environmental history, see Adam Rome, *The Bulldozer in the Countryside: Suburban Sprawl and the Rise of American Environmentalism* (New York: Cambridge University Press, 2001); David Vogel, *Trading Up: Consumer and Environmental Regulation in a Global Economy* (Cambridge, Mass.: Harvard University Press, 1995); J. Samuel Walker, *Containing the Atom: Nuclear Regulation in a Changing Environment, 1963-1971* (Berkley: University of California Press, 1992). For relevant primary documents, see Daniel Horowitz, *Jimmy Carter and the Energy Crisis of the 1970s: The "Crisis of Confidence" Speech of July 15, 1979* (New York: Bedford/St. Martin's, 2004) and Karen R. Merrill, *The Oil Crisis of 1973-1974: A Brief History with Documents* (New York: Bedford/St. Martin's, 2007).

[10]On the postwar petroleum order, see Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power* (New York: The Free Press, 2008 [1991]), 391-412; Nathan J. Citino, *From Arab Nationalism to OPEC: Eisenhower, King Saud, and the Making of U.S.-Saudi Relations*, 2nd ed. (Bloomington: Indiana University Press, 2005), 1-18. Anthropologists, ethnographers, sociologists, and psychologists have joined historians, economists, and political scientists. Seminal works provide the easiest entry point: Gerald D. Nash, *United States Oil Policy, 1890-1964* (Pittsburgh: University of Pittsburgh Press, 1968); Ian Skeet, *OPEC: Twenty-Five Years of Prices and Politics* (New York: Cambridge University Press, 1988); and John G. Clark, *The Political Economy of World Energy: A Twentieth-Century Perspective* (Chapel Hill, NC: University of North Carolina Press, 1991). For scholarship that emphasizes the formation of OPEC, see George W. Stocking, *Middle East Oil: A Study in Political and Economic Controversy* (Nashville, Tenn.: Vanderbilt University Press, 1970); Benjamin Shwadron, *The Middle East, Oil, and the Great Powers*, 3rd ed. (New York: Wiley, 1974); Dankwart A. Rustow and John F. Mugno, *OPEC: Success and Prospects* (New York: New York University Press, 1976); Mana Saed al-Otaiba, *OPEC and the Petroleum Industry* (New York: John Wiley and Sons, 1975); Ian Seymour, *OPEC: Instrument of Change* (London: Macmillan, 1980); Mordechai Abir, *Saudi Arabia in the Oil Era: Regimes and Elites: Conflict and Collaboration* (London: Croom Helm, 1988). Ethnographers have made particularly interesting contributions in the past decade: Jill Crystal, *Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qatar*, 2nd ed. (Cambridge: Cambridge University Press, 1995); Fernando Coronil**,** *The Magical State: Nature, Money, and Modernity in Venezuela* (Chicago: University of Chicago Press, 1997); Suzana Sawyer, *Crude Chronicles: Indigenous Politics, Multinational Oil, and Neoliberalism in Ecuador* (Durham, NC: Duke University Press, 2004); Andrew Apter, *The Pan-African Nation: Oil and the Spectacle of Culture in Nigeria* (Chicago: University of Chicago Press, 2005); Toby Craig Jones, *Desert Kingdom: How Oil and Water Forged Modern Saudi Arabia* (Cambridge, Mass.: Harvard University Press, 2010); Arang Kesharvarzian, *Bazaar and State in*

Scholars on the postwar petroleum order in general and the energy crisis in particular accept one long-standing assumption. Macro-economic considerations were the driving force behind the energy crisis. To clarify, the end of the era of cheap and stable oil in the early 1970s was the necessary price adjustment to a supply-demand imperative. The triangular affair between the principle oil company executives and their counterparts in producing and consuming governments makes for a gripping story, but in the end the supply-demand balance moves the narrative forward.[11] Scholars may emphasize different variables, but they all hold that economic changes led to the energy crisis. Changes in the global market stand at the root of energy insecurity.[12]

According to the consensus, the market position of the largest multinational oil companies permitted them control over the world's most prolific oil fields in the interwar era. The Seven Sisters, as they were called, solidified their power over the industry after World War II by forming a cartel that could punish oil nationalists and maintain a cheap and secure supply. The favorable situation had changed fundamentally by the early 1970s. The market tightened. World demand for oil outstripped the ability of the industry to expand supply. American indigenous production declined rapidly and the United States appeared on the market as a major importer. World reserves became

---

Iran: The Politics of the Tehran Marketplace (Cambridge: Cambridge University Press, 2007); Steffen Hertog, *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia* (Ithaca, NY: Cornell University Press, 2011).

[11]Yergin, *The Prize*, 391-544.

[12] These factors include most importantly a precipitous increase in world demand, the deterioration of American oil production, and the increased dependence of Western Europe and Japan on Middle Eastern oil. Notable works include: Richard Vietor, *Energy Policy in America Since 1945* (Cambridge: Cambridge University Press, 1987); Fiona Venn, *The Oil Crisis* (London: Pearson Education, 2002); Stephen D. Krasner, *Defending the National Interest: Raw Materials Investments and US Foreign Policy* (Princeton: Princeton University Press, 1978); Ethan Kapstein, *The Insecure Alliance: Energy Crises and Western Politics since 1944* (New York: Oxford University Press, 1989); Simon Bromley, *American Hegemony and World Oil: The Industry, the State System and the World Economy* (University Park, Pa.: Pennsylvania State University Press, 1991); Michael J. Graetz, *The End of Energy: The Unmaking of America's Environment, Security, and Independence* (Cambridge, Mass.: The MIT Press, 2011).

concentrated in a limited number of countries. A significant cutback by any single major producer threatened a severe dislocation of world oil supply. The OPEC nations used their position as a counter-cartel to the Seven Sisters to restrict production and enforce quantum leaps in the price of oil.[13]

The market consensus has dominated interpretations since the real-time analysis of the energy crisis by governments, industry experts, scholars, and journalists. Historians have confirmed the standard narrative, while providing increasing understanding and nuance. In particular, historians of U.S. foreign relations have published in-depth studies of American policy in the immediate post-1945 years.[14] The histories were written in the 1970s and 1980s and relied on newly declassified materials from the Roosevelt, Truman, and Eisenhower administrations, business archives, personal papers, and oral histories. In most instances, these histories drew on the interpretive school of corporatism. The scholars placed American foreign policy at the center of analysis, and emphasized the fitful relationships between multinational corporations and the U.S. government. The methodology thus accounted for the roles played by non-state actors and government officials, analyzing the decision-making

---

13 For similar analyses, but with an emphasis on American policy, see Burton I. Kaufman, *The Oil Cartel Case: A Documentary Study of Antitrust Activity in the Cold War Era* (Wesport, CT: Greenview Press, 1978); Walter J. Levy, *Oil Strategy and Politics, 1941-1981* (Boulder, CO: Westview Press, 1982). For the company-producer country relationship, see Frank C. Waddams, *The Libyan Oil Industry* (Baltimore: Johns Hopkins University Press, 1980); Louis Turner, *Oil Companies in the International System* (New York: Harper Collins, 1983); Yusif A. Sayigh, *Arab Oil Policies in the 1970s: Opportunity and Responsibility* (London: Croom Helm, 1983).

14 Michael B. Stoff, *Oil, War, and American Security: the Search for a National Policy on Foreign Oil, 1941-1947* (New Haven, Conn.: Yale University Press, 1980); David S. Painter, *Oil and the American Century: The Political Economy of U.S. Foreign Oil Policy, 1941-1954* (Baltimore: Johns Hopkins University Press, 1986); Aaron David Miller, *Search for Security: Saudi Arabian Oil and American Foreign Policy, 1939-1949* (Chapel Hill: University of North Carolina Press, 1980); Irvine Anderson, *Aramco, the United States, and Saudi Arabia: A Study of the Dynamics of Foreign Oil Policy, 1933-1950* (Princeton, NJ: Princeton University Press, 1981); Irvine Anderson, *The Standard-Vacuum Oil Company and United States East Asian Policy, 1933-1941* (Princeton, NJ: Princeton University Press, 1975). Recently, see Stephen J. Randall, *United States Foreign Oil Policy Since World War I: For Profits and Security* (Montreal: McGill-Queen's University Press, 2005).

processes of elites in government and business.[15] The works collectively explain how American policymakers perceived oil was a necessary ingredient of national security during World War II and the rise of the Cold War. To secure a cheap and stable supply, U.S. officials utilized a corporatist policy of relying on the multinational corporations to protect the national interest in foreign oil.[16]

For World War II and the first decade of the Cold War, the interpretation of energy security has been sustained accurately and elegantly. From the more detached perspective of 2012, the corporatist histories are models of analysis, part of a well-regarded lineage of international business history that has long taken multinational companies as key political actors.[17] The corporatist perspective, like any other, is a

---

[15] For corporatism in U.S. foreign relations, see Thomas J. McCormick, "Drift or Mastery? A Corporatist Synthesis for American Diplomatic History, *Reviews in American History* 10: 4 (Dec., 1982): 318-330; Robert Griffith, "Eisenhower and the Corporate Commonwealth," *American Historical Review* 87 (February 1982): 87-122; Michael J. Hogan, "Corporatism," in *Explaining the History of American Foreign Relations,* rev. ed., Michael J. Hogan and Thomas G. Paterson, eds. (Baltimore: Johns Hopkins University Press, 2004), 137-161.

[16] That the U.S. government had done so was a widely held belief, especially following Idaho Senator Frank Church's investigations into the oil industry, which has become an essential primary source: U. S. Congress. Senate. Senate Foreign Relations Committee. *Multinational Corporations and United States Foreign Policy*. 93rd Cong., 1st Sess., 1975; U. S. Congress. Senate. Senate Foreign Relations Committee. *Multinational Corporations and United States Foreign Policy*. 93rd Cong., 2nd Sess., 1975. For the link between the initial academic response to the energy crisis and the corporatist historians, see Edith Penrose, "The Development of Crisis." *Daedalus* 104: 4 (Fall 1975): 39-57; William D. Nordhaus, "The 1974 Report of the President's Council of Economic Advisers: Energy in the Economic Report." *The American Economic Review* 64: 4 (September 1974), 558-565; Stephen D. Krasner, "The Great Oil Sheikdown." *Foreign Policy* 13 (Winter 1973-1974): 123-138; Joseph Nye, "Energy Nightmares," *Foreign Policy* 40 (Autumn 1980): 132-154.

[17] The literature stretches from to the great trust-busting muckraker of the early twentieth century, Ida Tarbell, to the intrepid 1970s investigative journalist, Anthony Sampson, to international business historians like Mira Wilkins, Raymond Vernon, Alfred Chandler, and Edith Penrose. See Ida M. Tarbell, *The History of the Standard Oil Company* (New York: McClure, Phillips, and Company, 1904); Steve Weinberg, *Taking Down the Trust: How Ida Tarbell Brought Down John D. Rockefeller and Standard Oil* (New York: Norton, 2009); Anthony Sampson, *The Seven Sisters: The Great Oil Companies and the World They Shaped* (New York: The Viking Press, 1975); Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, Mass.: Harvard University Press, 1974); Raymond Vernon, *Sovereignty at Bay: The Multinational Spread of U.S. Enterprises* (Cambridge, Mass., Harvard University Press, 1971); Raymond Vernon, ed., *The Oil Crisis* (New York: Norton, 1976). A critical take of U.S. foreign policy co-existed closely with this field, providing many insights, but often slipping into biased tone: Harvey O'Connor, *The Empire of Oil*, 2nd ed. (New York: Monthly Review Press,

result of the age in which it was written. Writing about oil and national security in a decade marked by the coming and passing of the energy crisis influenced the interpretation, especially the emphasis on the physical security of inexpensive oil for the noncommunist world.[18]

Just as corporatist historians used declassified material in the 1970s and 1980s to interpret wartime and postwar oil policy, scholars who emphasize the effects of nationalism and imperialism on oil politics have tapped into new sources in recent years. This scholarship includes work on the complex relationships that exist between Arab nationalist movements and oil production in the Middle East. Scholars may differ on when and where to place the origins of nationalism, but they agree that pan-Arabism had a contentious relationship with oil production in the postwar era.[19]

1962 [1956]); Robert Engler, *The Politics of Oil: A Study of Private Power and Democratic Directions* (New York: MacMillan, 1961); John Blair, *Control of Oil* (New York: Vintage, 1976).

18 Recently, company histories and biographies have added to the complexity of the field, but without changing its general direction. For example, Edward J. Epstein and Armand Hammer, *Dossier: The Secret History of Armand Hammer* (New York: Carroll and Graf, 1999); James Bamberg, *History of the British Petroleum Company. British Petroleum and Global Oil, 1950-1975* (Cambridge: Cambridge University Press, 2000); Steven Howarth, *A Century in Oil: The "Shell" Transport and Trading Company 1897-1997* (London: Weidenfield and Nicholson, 1998); Bennett H. Wall, *Growth in a Changing Environment: A History of Standard Oil Company (New Jersey) 1950-1972 and Exxon Corporation 1972-1975* (New York: McGraw Hill, 1989); Kai Bird, *The Chairman: John J. McCloy, the Making of the American Establishment* (New York, Simon and Schuster, 1992); Anthony Cave Brown, *Oil, God, and Gold: The Story of Aramco and the Saudi Kings* (Boston: Houghton Mifflin, 1999).

19 For an introduction, see: Alnaswari Abbas, *Arab Nationalism, Oil, and the Political Economy of Dependency* (Wesport, Conn.: Greenwood Press, 1991); Rashid Khalidi, "Arab Nationalism: Historical Problems in the Literature." *American Historical Review* 96 (December 1991): 1363-1373; Peter L. Hahn, "Containment and Egyptian Nationalism: The Unsuccessful Effort to Establish the Middle East Command, 1950-53." *Diplomatic History* 11 (Winter 1987): 23-40. On the Ottoman empire and tribal factors, see: D. K. Fieldhouse, *Western Imperialism in the Middle East, 1914–1958* (New York: Oxford University Press, 2006); Jeremy Salt, *The Unmaking of the Middle East: A History of Western Disorder in Arab Lands* (Berkeley: University of California Press, 2008); Frederick F. Anscombe, *The Ottoman Gulf: The Creation of Kuwait, Saudi Arabia, and Qatar* (New York: Columbia University Press, 1997); Carl L. Brown, ed., *Imperial Legacy: The Ottoman Imprint on the Balkans and the Middle East* (New York: Columbia University Press, 1996); Philip S. Khoury and Joseph Kostiner, eds., *Tribes and State Formation in the Middle East* (Berkeley: University of California Press, 1990). The issue of imperialism and nationalism revolves on a major tension between historians about whether decolonization occurred predominantly because of metropolitan or peripheral factors. This debate is subtly laid out in A. G. Hopkins, "Rethinking Decolonization," *Past and Present* 200: 1 (2008): 211-247. For surveys of this tension from the

The nature of that relationship has been most thoroughly explored by historian Nathan J. Citino. Building on the corporatist position, Citino holds that the strategy of reliance upon private corporate interest employed by the U.S. government expressly sought to limit the effect of Arab nationalism on oil politics. The corporatist framework sought to adapt American economic power to the "anti-colonial currents of postwar global politics."[20] The emphasis on anti-imperial nationalism affirms analyses undertaken

---

perspectives of postcolonial studies, imperial history, and the history of globalization, see: Frederick Cooper, "What is the concept of globalization good for? An African historian's perspective," African Affairs 100 (2001): 189–213; David Harvey, *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change* (Oxford: Blackwell, 1989); Frederick Cooper and Randall Packard, eds., *International Development and the Social Sciences: Essays on the History and Politics of Knowledge* (Berkeley: University of California Press, 1997); Kristin Ross, *Fast Cars, Clean Bodies: Decolonization and the Reordering of French Culture* (Cambridge, MA: MIT Press, 1995). For the perspective from historians of the British empire, see John Darwin, "Decolonization and the End of Empire," in Robin W. Winks (ed.), *The Oxford History of the British Empire*, Vol. V: Historiography (New York: Oxford University Press, 1999); Wm. Roger Louis, *Imperialism at Bay, 1941–1945: The United States and the Decolonization of the British Empire* (Oxford, 1977); Wm. Roger Louis, *The British Empire in the Middle East, 1945–51* (Oxford, 1984); Ronald Hyam, *Britain's Declining Empire: The Road to Decolonisation, 1918–1968* (Cambridge, 2006). For a meta-historical view, Paul Bairoch, *Economics and World History: Myths and Paradoxes* (Chicago: University of Chicago Press, 1993); Hendrik Spruyt, "The End of Empire and the Extension of the Westphalian System: The Normative Basis of the Modern State Order," *International Studies Review* 2: 2 (Summer 2000): 65-92; David Strang, "The Inner Incompatibility of Empire and Nation: Popular Sovereignty and Decolonization," *Sociological Perspectives* 35: 2 (Summer 1992): 367-384. On the link between economic development and decolonization, see Nathan Citino, The "Crush" of Ideologies: The United States, the Arab World, and Cold War Modernization, *Cold War History* (2011); W. Taylor Fain, *American Ascendance and British Retreat in the Persian Gulf Region* (New York: Palgrave Macmillan, 2008); Susan Pederson, "Getting Out of Iraq—in 1932: The League of Nations and the Road to Normative Statehood," *The American Historical Review* (2010); Robert Vitalis, "The 'New Deal' in Egypt: The Rise of Anglo-American Commercial Competition in World War II and the Fall of Neocolonialism," *Diplomatic History* 20 (Spring 1996): 211-239; William Stivers, *Supremacy and Oil: Iraq, Turkey, and the Anglo-American World Order, 1918-1930* (Ithaca, NY: Cornell University Press, 1982); Paul W. T. Kingston, *Britain and the Politics of Modernization in the Middle East, 1945-1958* (Cambridge: Cambridge University Press, 1990); Douglas Little, "Pipeline Politics: America, TAPLINE, and the Arabs," *Business History Review* 64 (Summer 1990): 255-285; W. R. Polk, and R. L. Chambers, eds. *The Beginnings of Modernization in the Middle East* (Chicago: University of Chicago Press, 1968); Gerwin Gerke, "The Iraq Development Board and British Policy, 1945-1950," *Middle Eastern Studies* 27 (April 1992): 231-255; Edward P. Fitzgerald, "The Iraq Petroleum Company, Standard Oil of California, and the Contest for Eastern Arabia, 1930-1933," *International History Review* 13 (August 1991): 441-465.

20 Citino, *From Arab Nationalism to OPEC*, 2. Steve Galpern, a historian of British Empire, also emphasizes the accommodation of anti-colonial currents in oil and monetary policy, but in the context of British-Kuwaiti relations and the role of the pound-sterling as a global currency reserve. Steve Galpern, *Money, Oil, and Empire in the Middle East: Sterling and Postwar Imperialism, 1944-1971* (Cambridge: Cambridge University Press, 2009). See also: Brandon Wolfe-Hunnicut, The End of the Concessionary Regime: Oil and American Power in Iraq, 1958-1972 (Stanford University, Ph.D., 2011).

in the previous decade on the link between oil and the Arab-Israeli conflict and in U.S. relations with Venezuela, Kuwait, and Iran.[21] These histories are heirs to the corporatist interpretation, building on its basic assumptions and moving the issue of company-government relations beyond U.S. foreign policy and into bilateral relations with oil producers.

Despite their collective merit, the above approaches have limitations. They tend to emphasize bilateral relations—discussing in deep detail the tension between two local views, usually those of the United States and a particular oil-producing nation. The emphasis on bilateralism is well entrenched. Citino warns against a conflation of oil politics with broader Third World trends, urging scholars to make "the crucial distinction between the Iranian nationalism of Prime Minister Muhammad Mussaduq and the Arab nationalism of Egyptian leader Gamāl 'Abd al-Nāṣir on the one hand, and a producers' cartel of Arab and non-Arab oil states...on the other."[22] The warning should be heeded to a point; handcuffing separate nationalisms to oil politics in too blunt of a way is undoubtedly dangerous. On the other hand, caution doesn't mean tossing away the key. The broader intellectual and political currents that informed and often shaped individual nationalisms also set certain limits to their effectiveness. These currents, which include

---

[21] Uri Bialer, *Oil and the Arab-Israeli Conflict* (New York: Palgrave McMillan, 1998); Simon Smith, *Kuwait, 1950-1965: Britain, the al-Sabah, and Oil* (Oxford: Oxford University Press, 1999); Mary Ann Heiss, *Empire and Nationhood: The United States, Great Britain, and Iranian Oil, 1950-1954* (New York: Columbia University Press, 1997); Stephen G. Rabe, *The Road to OPEC: United States Relations with Venezuela, 1919-1976* (Austin: University of Texas Press, 1982).

[22]Citino, *From Arab Nationalism to OPEC*, xi. On this point, I agree with Citino for reasons of historical and cultural differentiation, but in the Prologue I argue that Nasser and Mossadegh held important shared beliefs in the doctrine of permanent sovereignty. Experts on Iranian and Arab nationalism would argue that Citino himself has committed a lesser version of the same sin by lumping Mossadegh and Nasser together, an error many believed the Eisenhower administration itself committed, but I believe makes sense. On the dangers of conflating nationalisms, see Robert Dreyfus, *Devil's Game: How the United States Helped Unleash Fundamentalist Islam* (New York: Metropolitan Books, 2005), 65-119; Ahmed Rashid, *Taliban: Militant Islam, Oil, and Fundamentalism in Central Asia* (New Haven, Conn.: Yale University Press, 2000); Joel Gordon, *Nasser's Blessed Movement* (New York: Oxford University Press, 1992).

permanent sovereignty and neoliberal diplomacy, are useful categories of analysis for international historians.[23]

Despite the fact that different actors drew different historical lessons from the energy crisis, little work has been done to examine the role of ideas in its causes and the consequences. Yet, there is no doubt that decolonization and the transnational rise of permanent sovereignty heavily influenced politics and strategies of OPEC. Permanent sovereignty, an intellectual movement with its own momentum, granted the oil price increases intellectual coherence and conceptual legitimacy.[24] Likewise, the energy crisis helped bring about the rise of free-market thought in American diplomacy. The energy crisis presents a striking illustration of the intimacy between imperialism, decolonization, and globalization.

Researching and writing this story is another matter—the hazard of transnational history of its being a mile long but an inch deep is magnified in a case as vexed as the energy crisis. The potential gain outweighs the danger. The following analysis links

---

[23] On this point, in the context of the relationship between the Suez crisis and the pace of decolonization, see Wm. Roger Louis, *Ends of British Imperialism: The Scramble for Empire, Suez and Decolonization* (London: I.B. Tauris, 2006), 589-726. Another central stem of energy historiography has analyzed the effects of oil production on the oil producers themselves, often noting "the resource curse" when examining their disappointing political, social, and economic development paths. This question of oil, of course, is linked to the broader problem of mono-crop economies, rentier theory, and in the end, the debate over non-renewable resources. For a start: Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States* (Berkeley: University of California Press, 1997); Benjamin Smith, *Hard Times in the Lands of Plenty: Oil Politics in Iran and Indonesia* (Ithaca, NY: Cornell University Press, 2007); Michael L. Ross, "Does Oil Hinder Democracy?" *World Politics* 53: 3 (April 2001): 325-361; Kiren Aziz Chaudhry, *The Price of Wealth: Economies and Institutions in the Middle East* (Ithaca, NY: Cornell University Press, 1997). The revisionist argument, that oil wealth does not make autocracy more likely, is made forcefully in Thad Dunning, *Crude Democracy: Natural Resource Wealth and Political Regimes* (New York: Cambridge University Press, 2008). The best introductions to rentier theory in the oil states are E. Roger Owen, "One Hundred Years of Middle Eastern Oil," *Middle East Brief* 24 (2008); Hazem Bablawi, *The Rentier State in the Arab World* (Berkeley: University of California Press, 1990); Michael L. Ross, "How Do Natural Resources Influence Civil War? Evidence from Thirteen Cases," *International Organization* 58: 1 (Winter, 2004): 35-67; Kenneth S. Deffeyes, *Hubbert's Peak: The Impending World Oil Shortage* (Princeton: Princeton University Press, 2001).

[24] Giuliano Garavini, "Completing Decolonization: The 1973 'Oil Shock' and the Struggle for Economic Rights," *International History Review* 33: 3 (Sept. 2011): 473–487.

transnational intellectual movements to economic nationalism. In doing so, it forms part of a third historiographical phase that aligns with recent trends of international and interdisciplinary scholarship. In the past decade, several historians have discussed the societal effects of energy production on nations and transnational communities.[25] Despite evident differences in scale and scope, these studies share prominent traits. First, they assume that multiple different contexts affected their actors' lives and decisions.[26] Like

---

[25] For a summary, see C. A. Bayly, Sven Beckert, Matthew Connelly, Isabel Hofmeyer, Wendy Kozol and Patricia Seed, "AHR Conversation: On Transnational History," *The American Historical Review* 111: 5 (December 2006): 1441-1464; Johan Heilbron, Nicolas Guilhot, Laurent Jeanpierre, "Toward a Transnational History of the Social Sciences," *Journal of the History of the Behavioral Sciences* 44: 2 (Spring 2008): 146-160; David Thelen, "The Nation and Beyond: Transnational Perspectives on United States History," *The Journal of American History* 86: 3 (December 1999): 965-975. In the field of energy history, Alison Frank has combined economic, political, and social methodologies to examine the early twentieth-century in Galacia as a nerve center for Austrian imperial politics, local social tensions, and insurgent nationalist sentiment. Robert Vitalis examines the development of the U.S.-Saudi security relationship within the dual context of Saudi societal change and the inherited Jim Crow labor structure of the Arab-American Oil Company's work camps. Melani McAlister has linked the energy crisis with the concurrent King Tut craze to discuss the rise of "commodity nationalism" in the oil-producing countries. Timothy Mitchell discusses the effect of the oil-intensive modern economy on political structures in the consuming and producing nations. See: Alison Fleig Frank, *Oil Empire: Visions of Prosperity in Austrian Galicia* (Cambridge, Mass.: Harvard University Press, 2007); Robert Vitalis, *America's Kingdom: Mythmaking on the Saudi Oil Frontier* (Stanford: Stanford University Press, 2006); Melani McAlister, *Epic Encounters: Culture, Media, and U.S. Interests in the Middle East since 1945* (Berkeley: University of California Press, 2005); Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011).

[26] Matthew Connelly, "Taking off the Cold War Lens: Visions of North-South Conflict during the Algerian War for Independence," *The American Historical Review* 105: 3 (June 2000): 739-769; Mary Elise Sarotte, *Dealing with the Devil: East Germany, Détente, and Ostpolitik* (Chapel Hill: University of North Carolina Press, 2000); Matthew Ouimet, *The Rise and Fall of the Brezhnev Doctrine in Soviet Foreign Policy* (Chapel Hill: University of North Carolina Press, 2003); Jeremi Suri, *Power and Protest: Global Revolution and the Rise of Détente* (Cambridge, Mass.: Harvard University Press, 2003); Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (New York: Cambridge University Press, 2005); Erez Manela, *The Wilsonian Moment: Self-Determination and the International Origins of Anticolonial Nationalism* (New York: Oxford University Press, 2007); Elizabeth Borgwardt, *A New Deal for the World: America's Vision for Human Rights* (Cambridge, Mass.: Harvard University Press, 2007); Paul Kramer, *The Blood of Government: Race, Empire, the United States, and the Philippines* (Chapel Hill: University of North Carolina Press, 2006); Mark Atwood Lawrence, "Universal Claims, Local Uses: Reconceptualizing the Vietnam Conflict, 1945–60," in A. G. Hopkins (ed.), *Global History: Interactions between the Universal and the Local* (London: Basingstoke, 2006), 229-252; Bradley R. Simpson, *Economists with Guns: Authoritarian Development and U.S.-Indonesian Relations, 1960-1968* (Stanford: Stanford University Press, 2008); Hal Brands, "Economic Development and the Contours of U.S. Foreign Policy: The Nixon Administration's Approach to Latin America, 1969-1974," *Peace and Change* 33: 2 (2008): 243-273; Matthew Connelly, *Fatal Misconception: The Struggle to Control World Population* (Cambridge, Mass.: Harvard University Press, 2008); Daniel Sargent, *From Internationalism to*

other new international histories, the monographs achieve this multi-layered perspective by reaching across disciplines and using many foreign archives.[27] Recent collective appraisals of U.S. foreign policy in the 1970s also point in this direction, as do new monographs by monetary and financial historians.[28]

Historical pluralism has led to a considerable rupture in the orthodox Cold War consensus in the history of U.S. foreign relations.[29] Scholars have begun to discuss the different forces that upset the traditional assumptions of superpower conflict in the late 1960s. Attempts to forge synthesis out of this complex and heterogeneous historiography have been anything but straightforward. Interpretations are characterized as much by

---

Globalism: The United States and the Transformation of International Politics in the 1970s (PhD Dissertation, Harvard University, 2009); Nick Cullather, *The Hungry World: America's Cold War Battle Against Poverty in Asia* (Cambridge, Mass.: Harvard University Press, 2010); Erez Manela, "A Pox on Your Narrative: Writing Disease Control into Cold War History,' *Diplomatic History* 34: 2 (April 2010): 299-323; Sarah Snyder, *Human Rights Activism and the End of the Cold War: A Transnational History of the Helsinki Network* (Cambridge: Cambridge University Press, 2012); Christopher J. Lee, ed. *Making a World after Empire: The Bandung Moment and Its Political Afterlives* (Columbus: Ohio University Press, 2010); Ryan Irwin, *The Gordian Knot: Apartheid and the Unmaking of the Liberal World Order, 1960-1970* (New York: Oxford University Press, forthcoming).

27 Diplomatic historians have correctly noted that this current emphasis on multinational scholarship has far deeper roots, including the work of historians like Henry Adams and Samuel Flagg Beamis.

28 See most recently the contributions to Ferguson, Maier, Manela, and Sargent, eds.,*The Shock of the Global.* and Fredrik Logevall and Andrew Preston, eds. *Nixon in the World: American Foreign Relations, 1969-1977* (New York: Oxford University Press, 2008). See also Alistair Horne, *Kissinger: 1973, the Crucial Year* (New York: Simon and Schuster, 2009); Jussi M. Hahnimäki, *The Flawed Architect: Henry Kissinger and American Foreign Policy* (New York: Oxford University Press, 2004), and Jeremi Suri, *Henry Kissinger and the American Century* (Harvard: Belknap, 2007). For bibliographical discussions, see Robert S. Litwak, "Henry Kissinger's Ambiguous Legacy." *Diplomatic History* 18: 3 (Summer 1994); Jussi M. Hanhimäki, "'Dr. Kissinger' or 'Mr. Henry'? Kissingerology, Thirty Years and Counting," *Diplomatic History* 27:5 (Nov. 2003), 637-676. Contributions in monetary and financial literature include Francis J. Gavin, *Gold, Dollars, and Power: Politics of International Monetary Relations, 1958-1971* (Chapel Hill: University of North Carolina Press, 2004),167-188; Galpern, *Money, Oil, and Empire;* Harold James, *International Monetary Cooperation since Bretton Woods* (New York: Oxford University Press, 1996), 205-241; Timur Kuran, *Islam and Mammon* (Princeton, N.J.: Princeton University Press, 2004); Ibrahim Warde, *Islamic Finance in the Global Economy* (Edinburgh: Edinburgh University Press, 2000).

29 Recent histories have examined superpower détente, economic development, globalization, the end of the Vietnam War, and human rights. Pluralism should not be confused with relativism. See Steven Lukes, "The Singular and the Plural: On the Distinctive Liberalism of Isaiah Berlin," *Social Research* 61 (2004): 687-717; Todd Hedrick, *Rawls and Habermas: Reason, Pluralism, and the Claims of Political Philosophy* (Stanford: Stanford University Press, 2010).

conflict as cooperation. The resistance to synthesis has led prominent intellectuals to characterize the 1970s as "the age of fracture" or the beginning of a longer "age of turbulence."[30]

THE POLITICS, ECONOMICS, AND IDEAS OF THE ENERGY CRISIS

This perception of history explicitly notes how historical actors and ideas more often overrode than underwrote conventional boundaries. Such ambiguity should encourage historians. The energy crisis was a central moment for transnational groups as they sought to understand the lessons of history and shape the future. Within the particular invisible college of this dissertation, the time seems right for an analysis of the ideas and diplomacy surrounding the energy crisis.[31] The following contribution begins from a *gestalt* conception of the history of U.S. foreign relations, whose main elements are an understanding of the connection between political-economic thought and diplomacy and a belief in the benefits of interdisciplinary methodology and multinational research.

The discussion uses insights from two particular subfields: international political economy and the diplomacy of ideas. To frame the examination of the energy crisis using international political economy is to examine "the reciprocal and dynamic

---

[30]Daniel Rodgers, *The Age of Fracture* (Cambridge, Mass.: Belknap Press, 2011); Alan Greenspan, *The Age of Turbulence* (New York: Penguin, 2008); "Special Forum: U.S.-Soviet Relations in the Era of Détente," *Diplomatic History* 33: 4 (2009).

[31] For the concept of an "invisible college," see Susan Strange, *States and Markets* (London: Pinter, 1988), ix. The insights of international political economy have already caught the attention of historians of economic diplomacy and financial and monetary historians: Harold James, *International Monetary Cooperation*; Eric Helleiner, *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Ithaca, N.Y.: Cornell University Press, 1994); Robert M. Collins, "The Economic Crisis of 1968 and the Waning of the 'American Century,'" *American Historical Review* 101: 2 (April 1996): 396-422; Barry Eichengreen, *Globalizing Capital: History of the International Monetary System*, 2nd ed. (Princeton: Princeton University Press, 2008); Alan Matusow, *Nixon's Economy: Booms, Busts, Dollars, and Votes* (Lawrence: University of Kansas Press, 1997); Paul Volcker and Toyoo Gyohten. *Changing Fortunes: The World's Money and the Threat to American Leadership* (New York: Three Rivers Press, 1993); Diane B. Kunz, *Butter and Guns: America's Cold War Economic Diplomacy* (New York: The Free Press, 1997).

interaction in international relations of the pursuit of wealth and the pursuit of power."[32] The dissertation builds on the integration of market analysis and political studies by adding another realm of inquiry, "the diplomacy of ideas," to the questions of wealth and power.[33] In the context of the international political economy, the diplomacy of ideas implies a study of transnational debates about economic thought *and* the effect of the debates on foreign policy.[34] An analysis of the diplomacy of ideas entails an

---

[32]Robert Gilpin, *U.S. Power and the Multinational Corporation* (New York: Basic Books, 1975), 43. In the 1970s, the field of international political economy rebuilt the unified concept of politics and economics that reigned from the seventeenth to the nineteenth century, a period that ended when Alfred Marshall's *Principles of Economics* replaced John Stuart Mill's *Principles of the Political Economy* as the most important theoretical text in that field. For accessible introductions, see Benjamin J. Cohen, *International Political Economy: An Intellectual History* (Princeton: Princeton University Press, 2010); Jeffrey A. Frieden and David A. Lake, *International Political Economy: Perspectives on Global Power and Wealth*, 5th ed. (New York: Norton, 2009); and Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987). For the breakthrough works in the field, see Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); Susan Strange, "International Relations and International Economics: A Case of Mutual Neglect," *International Affairs* 46: 2 (Apr. 1970): 304-315. Important exceptions to the divorce between politics and economics in the early 20th century are Herbert Feis, *Europe: The World's Banker, 1870-1914* (New Haven: Yale University Press of the Council on Foreign Relations, 1930); Karl Polanyi, *The Great Transformation* (Boston: Beacon, 1944); Alfred O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945); Klaus Knorr, "Economics and International Relations: A Problem in Teaching," *Political Science Quarterly* 62: 4 (Dec. 1947): 552-568; Jacob Viner, "Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries," *World Politics* 1: 1 (Oct. 1948): 1-29. "Radical" exceptions are better known to historians and include what are often taught as the classics of imperialism: Hobson, Luxemburg, Hilferding, Schumpeter, and Lenin. In the 1970s, theoretical work focused on international regimes, hegemony theory, and the role the state and international institutions in global society. See: Peter J. Katzenstein, *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Madison: University of Wisconsin Press, 1977); Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28: 3 (Apr. 1976): 317-347.

[33] Frank Ninkovich, *The Diplomacy of Ideas: US Foreign Policy and Cultural Relations, 1938-1950* (New York: Cambridge University Press, 1981); John Kurt Jacobsen, "Much Ado About Ideas: The Cognitive Factor in Economic Policy," *World Politics* 47: 2 (Jan. 1995); Judith Goldstein and Robert O. Keohane, eds., *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change* (Ithaca, NY: Cornell University Press, 1992).

[34] Ninkovich and others have used similar methods to examine the public and cultural diplomacy of the United States—or in the case of Emily Rosenberg, to attempt a broader synthesis of international commerce and culture. See Frank Ninkovich, *Modernity and Power: A History of the Domino Theory in the Twentieth Century* (Chicago: University of Chicago Press, 1995); Akira Iriye, *Cultural Internationalism and World Order* (Baltimore: Johns Hopkins University Press, 2000); Emily S. Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945* (New York: Hill and Wang, 1982); Julian Zelizer, *Arsenal of Democracy: The Politics of National Security from World War II to the*

examination of how economic thought constructed opinions and affected policy. In a period in which decolonization brought greater attention to the challenges of economic development, the diplomacy of ideas helps explain the ideological, political, and economic tensions between the rich "North" and the impoverished "South" before, during, and after the energy crisis.

The analysis has two final objectives. First, it examines an explicit relationship between economic thought and foreign policy. Second, it recognizes that ideas also faced a market of sorts, especially when competing for influence. Without a thorough understanding of the crossroads between international ideas, the power of those ideas, and the related diplomacy, histories of the energy crisis and the period it defined remain incomplete.[35]

Tracking the debates that surround the energy crisis is not simple. To portray a lengthy transition of ideas is more complex than describing the rise of one independently conceived ethic, neoliberal diplomacy, that not only occured simultaneously with the decline of a different one, permanent sovereignty, but defeated it. A nuanced depiction involves the identification of sequences of concatenated ideas.[36] The enormous changes

---

War on Terrorism (New York: Basic Books, 2009); Susan Brewer, *Why America Fights: Patriotism and War Propaganda from the Philippines to Iraq* (New York: Oxford University Press, 2009).

[35] The interpretation of the energy crisis works well with the standard sources of international history. Recently declassified documents from national archives, presidential libraries, the archives of international institutions, and the personal papers of principal actors provide useful material to uncover the movement and power of ideas in the international political economy. In the reconstruction of such a sequence, one must draw on evidence from many other sources, including industry journals, speeches and interviews of intellectuals and national leaders, middle and high-brow media, and oral history. For a long-term analysis, see Manfred B. Steger, *The Rise of the Global Imaginary: Political Ideologies from the French Revolution to the Global War on Terror* (New York: Oxford University Press, 2008).

[36] In discussing these broad international trends, my greatest fear has been stitching together disparate elements so haphazardly that the result is not so much a straw man as something of a Frankenstein's monster. Where possible, I have attempted to avoid this problem of caricature in the text and in footnotes by noting the nuance in individual positions and citing the important works about those people. Another related danger is to respond to the strident arguments put forth by the principle actors with commensurate vigor, in the words of one developmental economist, "to cap slogan with anti-slogan." See John Toye, *Dilemmas of Development: Reflections on the Counter-Revolution in Development Theory and Policy*

that occurred following the increase in oil prices did not result from a simple victory of one fully armed school of thought over another. By giving attention to ideas that headed in different directions, the dissertation grasps at the arbitrary and precarious state of international affairs in the 1970s. Defining the relationship between permanent sovereignty and neoliberal diplomacy is a complex and frustrating exercise. Such classifications are by their nature static and simple, and the reality to be fitted into them was neither.

THE (NARRATIVE) ARC OF CRISIS

The real story is more roundabout. The dissertation begins with the reconstruction of the international economy after World War II. Rather than discussing the origins of the Cold War, the rise of material culture, or modernization theory, the prologue examines permanent sovereignty as a new turn in thinking about economic development that arose from the Third World itself. To insist on this point of departure proceeds from evidence that economic thought became a political instrument with multiple purposes in the postcolonial world.

The prologue traces the growth of the doctrine of permanent sovereignty in the international contexts of decolonization and the Cold War. Permanent sovereignty helped connect an extraordinary range of transnational actors. These actors had different ethnicities, nationalities, and worldviews, but shared a common material experience and

---

(New York: Basil Blackwell, 1987). By examining ideas as concatenated and tracking their relative influence, this version of the diplomacy of ideas also builds on to social theorists' study of the function of intellectuals in society, especially the more recent emphasis in "the sociology of knowledge" subfield on the ability of social networks to influence intellectual change. For an introduction, see Sidney Tarrow, *Power in Movement: Social Movements and Contentious Politics*, rev. ed. (New York: Cambridge University Press, 1998); Robert O'Brien, et. al., eds. *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements* (New York: Cambridge University Press, 2000); and Dorothee Bohle and Béla Greskovits, "Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe," *West European Politics* 30: 3 (2007).

international outlook. Permanent sovereignty supported the anti-imperial character of global politics, and an increasingly cohesive group of Third World intellectuals began to espouse the new politics of sovereignty in the United Nations General Assembly.[37] Following the nationalization of the Anglo-Iranian Oil Company in 1951 and the Suez Canal in 1956, the critical aspect of permanent sovereignty became full national ownership over natural resources. The reclassification of sovereignty in the UN General Assembly stiffened Cold War tensions. It also began to pit the irrepressible right of the sovereignty of individual nations against the traditional structure of the international economy.

The concept of permanent sovereignty opened up a pivotal reservoir for the authentication of new, inclusive goals of decolonization and statehood. The emotional and economic ties in the minds of men were led to their belief in a common affinity, expressed in a shared location: the Third World. Permanent sovereignty exposed tension between American diplomatic aims and Third World economic thought. After World War II, American officials and their victorious allies defined the economic productivity of the West as a material and ideological weapon. In doing so, the United States pegged "Free World" economic prosperity to a particular resource alignment between the industrial nations and the Third World. Energy security fit within the American vision of a liberal global economy that linked the developed and developing worlds through capital investment and raw material exploitation.

Permanent sovereignty soon became a refrain on the lips of leaders in the developing nations. Corollaries for the international economy were unmistakable.

---

[37] Third World leaders became less concerned with nominal political sovereignty, what Robert Jackson and Carl Rosberg call "juridical sovereignty," defined as sovereignty conferred by other states, and more concerned with real economic growth. See Jackson and Rosberg, "Why Africa's Weak States Persist: The Empirical and the Juridical in Statehood," *World Politics* 35 (1982): 1-24.

Leaders did not write the concept of sovereignty into the international lexicon, but they did fix a new meaning to it, darkened with the *bête noire* of imperial continuity—even if the imperial powers renounced the central political tenets of empire and transferred administrative control to national actors, decolonization was incomplete. The logic driving imperial economic structures continued to hold sway. New states emerged in the 1950s and 1960s, but the structure of the international economy remained stacked against raw material producers.

The idea of permanent sovereignty simultaneously served as a major tenet of post-war anti-colonialism *and* a central construct of Third World economic theory. Decolonization became more broadly defined and, in turn, more inclusive. The post-imperial critique took command of the United Nations in the 1950s and 1960s, but it proved less authoritative in practice. Even though permanent sovereignty gained popular momentum and theoretical coherence, American policymakers dismissed its relevance through invocations of "Mossadegh Madness" and "Arabs drinking their oil." The raw material alignment of energy security easily overcame the 1951 Iranian nationalization, the 1956 Suez Crisis, and the September 1960 formation of OPEC.

The limits of permanent sovereignty were evident during the 1967 Arab oil embargo, the subject of Chapter 1. Certainly, the success of the Egyptian president, Gamal Abdel Nasser, at drawing the oil producers to the Arab cause during the June 1967 war augured an emboldened sense of permanent sovereignty. However, the monarchies in Saudi Arabia, Kuwait, and Libya only grudgingly joined the embargo and were much more concerned about being cut out of the international oil market than about flexing their sovereignty.

Still, the embargo did serve as a wedge that pried open a place for permanent sovereignty in the international economy. During the embargo, the British government discovered that Saudi Arabia and Kuwait held over two-thirds of the pound sterling reserve. The potential of a petro-pound withdrawal caused great fear in London and Washington. In the face of continuing financial crisis, Prime Minister Harold Wilson announced in January 1968 that his government had decided to withdraw nearly all British forces from the Persian Gulf and Asia by the end of 1971.

This decision marked a new phase in the international influence of Third World economic thought. OPEC members used newfound political cohesion, technical ability, and market power to remake permanent sovereignty. The doctrine developed into a self-conscious, collective discourse of progress for the oil producers.

In order to fill in the "vacuum" left by Great Britain, American strategy anointed the Shah of Iran and King Faisal of Saudi Arabia as the guardians of Middle East security. Chapter 2 explains that newly prominent positions of the Gulf powers were not without benefits for the practice of permanent sovereignty. In an understudied development, the traditional bargaining process between the multinational companies and the oil-producing governments was scrapped beginning in 1968. Iran and Saudi Arabia drew first the Johnson administration and then the Nixon administration into the negotiations. Pressure from the U.S. government began to upset the structure of postwar energy security. Despite its intent to avoid involvement, the Nixon administration insisted that the oil companies yield to Saudi and Iranian production demands in 1970, under direct order from the president himself. Fiscal arrangements and production levels, central aspects of permanent sovereignty, began to be determined by the producing governments as opposed to private companies.

If Iran and Saudi Arabia began to unwind energy security, Libya and Iraq would unravel it entirely. Chapter 3 tells the story of the 1972 nationalization of the Iraq Petroleum Company by the Ba'athist government of Iraq. Companies and governments in both Cold War camps helped the Ba'ath develop the technical capability to produce and market Iraqi oil. So successful were they that the executives of the multinational oil companies were unable to blacklist Iraqi oil on the world market after the nationalization, as they had done to Iranian oil twenty years earlier.

Chapter 4 explains how the Libyan Revolutionary Command Council, which seized power in September 1969, pushed the question of permanent sovereignty into the global spotlight. Emphasizing the immense changes brought about by the 1971 Tehran and Tripoli oil accords, the chapter holds that U.S. policy toward Libyan demands amounted to naïve compliance to the imperatives of permanent sovereignty. The catch phrase "Arab oil for the Arabs" became an increasingly acceptable political statement in the West. The politics of "oil moderates" closely followed in Libyan and Iraqi footsteps, as Saudi Arabia, Iran, and Kuwait supported the more radical governments during their nationalization episodes.

The results were momentous. In December 1972, OPEC and the multinational oil companies agreed that host governments would receive 25 percent ownership in their concessions, with the nationalized share gradually rising to 51 percent. However, even as OPEC underscored the salience of permanent sovereignty, higher oil prices began to undermine Third World development plans. Chapter 5 begins with three events that occurred in the same two weeks of October 1973: the fourth Arab-Israeli war in twenty-five years, the establishment of a second oil embargo by the Arab producers, and the unilateral price increases by OPEC. The impregnable sovereignty preached by OPEC and its backers in the New International Economic Order, an umbrella resolution in the UN General Assembly pressing Third World economic demands, engendered a strong response from the United States. Neoliberal diplomacy was employed to dismantle what Henry Kissinger called the "unholy alliance between OPEC and the Third World."[38]

With the sudden increase in oil prices in late 1973 and early 1974, a central assumption of American grand strategy disappeared like a dream. Compounding the effects of the end of the Bretton Woods monetary system, the energy crisis represented for many the end of a great era of postwar growth. Chapter 5 examines Kissinger's changing thoughts about the ramifications of the energy crisis, emphasizing the fractious relationship between the United States and its oil-producing and oil-consuming allies.

The energy crisis became firmly enmeshed with the international politics of permanent sovereignty, especially after the UN General Assembly passed the New International Economic Order in April 1974. Steeped in the concept of permanent sovereignty, the New International Economic Order sought to eviscerate traditional core-peripheral arrangements. OPEC nations led the way, arguing that their success in raising oil prices called for a fundamental reappraisal of the relationship between the developed North and the less-developed South.

As tensions rose, market-centered reform became an analytical refuge for the United States. A close study of American strategy toward the United Nations and the International Monetary Fund reveals that neoliberal diplomacy began to drive central aspects of U.S. foreign policy. The United States vetoed international proposals that encouraged the recycling of OPEC petrodollars though multilateral channels on the grounds that such recycling should take place via private financial markets. As OPEC harnessed permanent sovereignty, the results were entirely out of tune with the solidarity-driven enthusiasm of the New International Economic Order.

---

[38]Memorandum of Conversation, November 16, 1975, William Seidman Papers, Box 312, The Gerald Ford Presidential Library (hereafter GFL, Seidman Papers, 312).

The conclusion examines the legacy of the energy crisis. American policy toward the international economy maintained sovereignty as a key concept. However, "sovereign debt" became the common invocation, a linguistic change that effectively placed sovereignty at the service of the free market. The emphasis on the market in international finance by American policymakers made national borders more permeable to capital. Using a discourse of shared political values and economic interdependence, the neoliberal diplomacy of the United States facilitated the global projection of American financial power far beyond its earlier limits.

THE ENERGY CRISIS AND THE LONG 1970S

Despite the seamless quality that any narrative imposes on the past, the confrontation over expensive oil had consequences nobody could anticipate. The energy crisis produced lines of political-economic connection more varied and complex than a simple dialectic between permanent sovereignty and neoliberal diplomacy, between a monolithic Global North and Global South.

Still, the energy crisis changed the international agenda in the 1970s. The United States and the less developed countries disagreed in their overall approach to the international economy. The West depicted problems of poverty and development as technical economic issues. The developing nations identified a broader political problem in the structure of the international economy. The debate over the energy crisis revolved around the question of whether the economy required a corrective to the imperial past, a reordering of the basic relationships between the developed countries and the primary producers of the Third World.

The dissertation conceives of the "Long 1970s" as a time of adaptation, reinterpreting the energy crisis as a site of political, economic, diplomatic, and intellectual conflict.[39] By studying economic ideas as dynamic forces *and* collective endeavors, the project unearths transnational groups of intellectuals, diplomats, and policymakers whose experience tells us much about the international society they inhabited. In turn, the emphasis on the links between economic thought and diplomacy reminds us that ideas mattered in shaping globalization, in the same way scholars understand their importance for earlier periods.[40] This shift in perspective adds to scholarly debates over the histories of globalization, modernization, and decolonization.

The dissertation works against a certain homogeneity in the study of globalization. Scholarship, while complex, can be divided into three groups: devotees, detractors, and detached observers. Detractors argue that coercion from multinational corporations, the United States, and international financial institutions have broken down national barriers to the movement of capital and ideas, with almost entirely negative effects. Foreign capital has brutalized local businesses, undermined social welfare, and enriched national elites. Worse still, globalization threatens to homogenize culture to the

---

[39] This rendering of the energy crisis contributes to several scholarly literatures, an interdisciplinary emphasis that derives from a deeply held belief that scholars must look at broader horizons and avoid being blinkered by their narrow subfields. Pluralism, memorably described by development economist Albert O. Hirschman as "trespassing" across disciplinary boundaries, has the distinct benefit of encouraging historians to range freely and speculate without unreasonable inhibitions on questions that vex philosophers, economists, policymakers, diplomats, and other humanists alike. See: *Essays in Trespassing: Economics to Politics and Beyond* (New York: Cambridge University Press, 1981).

[40] Classics include: J. G. A. Pocock, *The Machiavellian Moment*: *Florentine Political Thought and the Atlantic Republican Tradition*, rev. ed. (Princeton: Princeton University Press, 2003); Thomas L. Haskell, *The Emergence of Professional Social Science: The American Social Science Association and the Nineteenth Century Crisis of Authority* (Urbana: The University of Illinois Press, 1977); Daniel Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge, Mass.: Belknap Press, 1998); Peter A. Hall, ed., *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton: Princeton University Press, 1989); Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (New York: Cambridge University Press, 2002); Albert O. Hirschman, *Rival Views of Market Society and Other Recent Essays* (Cambridge, Mass.: Harvard University Press, 1992); Kenneth R. Hoover, *Economics as Ideology: Keynes, Laski, Hayek and the Creation of Contemporary Politics* (Rowman and Littlefield, 2003).

point of vapidity.[41] Devotees accept the reality of globalization as understood by its detractors, but see benefits rather than liabilities. The lowering of economic and cultural barriers leads not only to economic growth, but also to greater diffusion of the benefits of that growth.[42] The third group, detached observers, has formed a synthetic narrative, one that examines specific relationships within the broad network in greater detail.[43]

Devotees, detractors, and detached observers share basic assumptions. All three schools of thought take for granted the centrality of globalization as a process or a series of processes in contemporary society. All three usually begin their studies with the collapse of the Soviet Union and the market orientation of China in the late 1980s. Finally, more subtle but more essential, all three presuppose that the processes of globalization move in a common direction, toward greater and greater synthesis. In economics, that synthesis is market-oriented.

---

[41]Saskia Sassen, *Losing Control? Sovereignty in an Age of Globalization* (New York: Columbia University Press, 1996); Susan Strange, *The Retreat of the State* (Cambridge: Cambridge University Press, 1996); Saskia Sassen, *Globalization and Its Discontents* (New York: New Press, 1998); Richard Falk, *Predatory Globalization: A Critique* (Cambridge: Polity Press, 1999); Peter Gowan, *The Global Gamble: Washington's Faustian Bid for World Dominance* (New York: Verso, 1999); Walter Lafeber, *Michael Jordan and the New Global Capitalism* (New York : W.W. Norton, 1999); Joseph Stiglitz, *Globalization and its Discontents* (New York: W. W. Norton, 2003); David Harvey, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005); Thomas B. Edsall, *The New Politics of Inequality* (New York: Norton, 1985); Alfredo Saad-Filho and Deborah Johnston, *Neoliberalism: A Critical Reader* (New York: Pluto Press, 2005); Neil Smith, *Uneven Development: Nature, Capitalism, and the Production of Space*, 3rd ed., (Athens, GA: The University of Goergia Press, 2008); Barry Eichengreen, *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System* (New York: Oxford University Press, 2011).

[42] Thomas Friedman, *The Lexus and the Olive Tree* (New York: Farrar, Straus & Giroux, 1999); Martin Wolf, *Why Globalization Works* (New Haven, Conn.: Yale University Press, 2004); Jagdish Bhagwati, *In Defense of Globalization* (New York: Oxford University Press, 2007).

[43]Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy* (New York: W. W. Norton, 2011); Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W. W. Norton, 2007); Ravi K. Roy, Arthur T. Denzau, and Thomas D. Willett, eds., *Neoliberalism: National and Regional Experiments with Global Ideas* (New York: Routledge, 2006); Daniel Yergin and Joseph Stanislaw, *The Commanding Heights: The Battle for the World Economy* (New York: Free Press, 1998); Jeffrey D. Sachs, Andrew Warner, Anders Åslund and Stanley Fischer, "Economic Reform and the Process of Global Integration," *Brookings Papers on Economic Activity* 25: 1 (1995), 1-118.

The following dissertation recovers critical international ideas at play in diplomacy and inserts itself into a scholarly literature that moves against the mutual assumptions of the devotees, detractors, and detached observers. The tendency has been to lay primary emphasis on the factors of globalization that have worked toards unification, without recognizing their ambivalent nature. Through the examination of historical patterns that began well before the post-Cold War era, a close study of the causes and consequences of the energy crisis challenges the presentist periodization of many studies of globalization.[44] The dissertation proposes that the history of global interconnection did not seem irreversible at the time. The analysis of the diplomatic power of particular economic ideas returns specificity, contingency, and contestation to the early days of modern globalizaion. At the same time, the emphasis on the diplomacy of ideas maintains one of the strengths of the field, the analysis of large-scale, long-term patterns.

The dissertation poses the alternatives of the might-have-beens that did not fully appear. It moves beyond what historian and social theorist Frederick Cooper has called "the totalizing pretensions" of globalization and gives careful attention to intellectual reconfigurations of the international economy.[45] The influence of these concepts, permanent sovereignty and neoliberal diplomacy, reveal that contemporary globalization

---

[44]Paul Bairoch, "Globalization Myths and Realities: One Century of External Trade and Foreign Investment," in Robert Boyer and Daniel Drache, eds., *States against Markets: The Limits of Globalization* (London: Routledge, 1996), 190. See also Bernard Mommer's discussion of producing and consuming countries, in *Global Oil and the Nation State* (New York: Oxford University Press, 2002); James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1999); Aihwa Ong, *Neoliberalism as Exception: Mutations in Citizenship and Sovereignty* (Durham, N.C.: Duke University Press, 2006); James Ferguson, *Global Shadows: Africa in the Neoliberal World Order* (Durham, N.C.: Duke University Press, 2006); Arturo Escobar, *Territories of Difference: Place, Movements, Life,* Redes (Durham, N.C.: Duke University Press, 2008); James Ferguson, "Seeing Like an Oil Company: Space, Security, and Global Capital in Neoliberal Africa," *American Anthropologist* 107:3 (2005).

[45]Cooper, "What is the Concept of Globalization," 210.

has been much more than a constant climb toward integration. The history of globalization is also a story of the struggle over the meaning of ideas, their transmission across space and over time, and their diplomatic use.

By emphasizing ideas and diplomacy, the dissertation also corrects another standard assumption. The current tendency is to interpret the economic transformations of the 1970s in a way that prioritizes structural change over diplomatic agency. Scholars are correct that the processes of globalization formed a powerful and often amorphous juggernaut, a point supported by close analytical work on the liberalization of capital markets and the growth of multinational enterprises. Almost without dissent, narratives of modern globalization reflect Frederick Wills' and Henry Kissinger's shared understanding of the energy crisis as a turning point for the newly global economic structure.[46] However, most writers have been content to note oil prices for their effect on policymakers. This dissertation takes a step further by exploring the ideas and diplomacy surrounding OPEC and the price increases themselves.[47]

---

[46] Alfred E. Eckes, Jr., *A Search for Solvency: Bretton Woods and the International Monetary System, 1941-1971* (Austin: University of Texas Press, 1975), 254-266; Francis J. Gavin, *Gold, Dollars, and Power: Politics of International Monetary Relations, 1958-1971* (Chapel Hill: University of North Carolina Press, 2004), 167-188; Harold James, *International Monetary Cooperation since Bretton Woods* (New York, 1996), 205-241.

[47] Over the years, see for example Raymond Vernon, ed., *The Oil Crisis* (New York: Norton, 1976); Department of State, Office of the Historian, "OPEC and the Changing Structure of the World Oil Economy, 1960-1983," *Historical Issues* 10 (1983); Alfred E. Eckes and Thomas W. Zeiler, *Globalization and the American Century* (New York: Cambridge University Press, 2003), 184-190. Four important exceptions come from political scientists Stephen Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton: Princeton University Press, 1979), 245-269; R. K. Pachauri, *The Political Economy of Global Energy* (Baltimore: Johns Hopkins University Press, 1985); Eric Helleiner, *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Ithaca, N.Y.: Cornell University Press, 1994) and David E. Spiro, *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets* (Ithaca, N.Y.: Cornell University Press, 1999). On the debate between economists regarding the relationship between higher oil prices and economic recession, see Robert Barsky and Lutz Kilian, "Oil and the Macroeconomy since the 1970s," Discussion Paper No. 4496, Centre for Economic Policy Research (London, July 2004); Ben S. Bernanke, Mark Gertler, and Mark Watson, "Systematic Monetary Policy and the Effects of Oil Price Shocks," C.V. Starr Center for Applied Economics, New York University, Economic Research Report 97-25 (June 1997).

In the strongest such argument to date, historian Daniel Sargent explicitly uses the energy crisis to showcase a larger thesis that modern globalization evolved "more as the consequence of exogenous structural changes than as the achievement of specific policy choices."[48] The evidence in this dissertation points toward a more ambiguous conclusion. Change along these lines did not just happen. A critical mass of newly available documents illuminates the question of how ideas and politics interacted with and shaped the policies of governments and international institutions, as well as processes of globalization.

On a related note, scholars have come to identify neoliberalism as the central ideological framework of globalization, and thus a key category of analysis.[49] Here, many have been trapped in the structure they seek to analyze. Neoliberalism is a term whose meaning is opaque and over which considerable disagreements exist. Most commonly, it is understood as a moral argument for the benefits of free trade and the free movement of capital. Even if it carries a powerful set of images, the argument constitutes an overly broad use that embraces everything and means nothing. The substitution of neoliberal diplomacy, the policy application of the free market ideal, gives historians a concept that is less sweeping and more precise. In this way, historians can analyze with specificity the movement of ideas into policy, rather than looking at a system in vaguely defined and mechanistic terms. The terminological change points toward another, more substantive contribution. Neoliberal diplomacy, even if it was conceived as universal and had long-running antecedents, emerged within the specific context of the energy crisis.[50]

---

48 Sargent, "The United States and Globalization," 53.

49 For an introduction, see: Harvey, *A Brief History of Neoliberalism*, 152-182; Colin Hay, "The Geneology of Neoliberalism," in *Neoliberalism: National and Regional Experiments with Global Ideas* Ravi K. Roy, Arthur T. Denzau, and Thomas D. Willett, eds. (New York: Routledge, 2006), 21-50.

50 This insight, in turn, points in a different direction from the motivational analysis in contemporary "parsimonious" theories of market economy and unrestrained capitalism.

The dissertation also contributes to another influential subfield in American foreign relations, the study of modernization policy and theory. Historians have closely examined the ideological and material underpinnings of tenets of modernization like economic development and social progress. However, the history of modernization largely has been written in a Cold War context.[51] Some scholars have moved to complicate the bipolar narrative by describing the particular settings of multifaceted struggles over modernization. The accounts provide tightly focused examinations of the relationship between specific developing states and the superpowers' modernizing strategies and, increasingly, the developing states' own ideas about modernization. The more complicated narrative moves the story beyond the tale of rival modernizers playing each other on a global chessboard and into the realm of local practice and experience.[52]

The new direction, while innovative, misses common strains that connect distinct Third World experiences.[53] Modernization theory is just one of those strains. The

---

[51] David Engerman, Nils Gilman, Mark Haefele, and Michael Latham eds., *Staging Growth: Modernization, Development, and the Global Cold War* (Amherst: University of Massachusetts Press, 2004); Jenifer Van Vleck, "An Airline at the Crossroads of the World: Ariana Afghan Airlines, Modernization, and the Global Cold War," *History and Technology* 25:1 (2009): 3-24; Margherita Zanasi, "Exporting Development: The League of Nations and Republican China" *Comparative Studies in Society and History* 49 (January 2009): 143-169; David Engerman, *Modernization from the Other Shore: American Intellectuals and the Romance of Russian Development* (Cambridge, MA: Harvard University Press, 2003).

[52] Nick Cullather, "Damming Afghanistan: Modernization in a Buffer State,"*The Journal of American History* 89: 2(2002): 512-537; Nick Cullather, *The Hungry World: America's Cold War Battle against Poverty in Asia* (Cambridge, Mass.: Harvard University Press, 2010); Nathan J. Citino, "The 'Crush' of Ideologies: The United States, the Arab World, and Cold War Modernisation," *Cold War History* (2011): 1-22; David C. Engerman and Corinna Unger, "Toward a Global History of Modernization," *Diplomatic History* 33:3 (2009): 375-385; Jeffrey Byrne, "Our Own Special Brand of Socialism: Algeria and the Contest of Modernities in the 1960s," *Diplomatic History* 33:3 (2009): 427-447; Massimiliano Trentin, "Modernization as State Building: The Two Germanies in Syria, 1963-1972," *Diplomatic History* 33:3 (2009): 487-505; Daniel Speich, "The Kenyan Style of 'African Socialism' Developmental Knowledge Claims and the Explanatory Limits of the Cold War," *Diplomatic History* 33:3 (2009): 449-466; Andreas Eckert, Stephan Malinowski, and Corinna Unger (eds.), *Journal of Modern European History*, Special Issue on "Modernizing Missions: Approaches to 'Developing' the Non-Western World after 1945," 8: 1 (2010).

[53] Brad Simpson, "Indonesia's 'Accelerated Modernization' and the Global Discourse of Development, 1960-1975," *Diplomatic History* 33:3 (2009): 467-486; Michael Hunt, *The American Ascendancy: How the*

examination of permanent sovereignty as another, shared among Third World actors, builds on the strengths of the scholarly literature. Diplomacy surrounding development was rigorously debated. The international politics of development became a central location for arguments about the nature of the international economy. Understanding American foreign relations with the Third World requires closer attention to the ideas about which the different parties disagreed.

In addition to its interventions in the scholarship on globalization and modernization, the dissertation examines certain aspects of the history of decolonization. In part, the energy crisis analyzes the colonial past as it shaped the post-colonial era. Such an examination confirms a key insight, stated succinctly by Simon Gikandi: "Decolonized situations are marked by the trace of the imperial pasts they try to disavow."[54] Permanent sovereignty was in accords with the fundamentals of postwar politics, the transition from colony to statehood. But permanent sovereignty was not in line with the prevailing strcture economic structure. The energy crisis moves against a light-switch, entry-exit view of decolonization, in which transfers of power, independence, and international recognition extinguished the category of empire from politics.[55] The links between permanent sovereignty and neoliberal diplomacy reveal that scholars are not faced with a stark choice between inquiries of imperial continuity or

---

United States Gained and Wielded Global Dominance (Chapel Hill: University of North Carolina Press, 2007), 316-320.

[54] Simon Gikandi, *Maps of Englishness: Writing Identity in the Culture of Colonialism* (New York: Columbia University Press, 1996), 15. This was something that historians like Ronald Robinson, John Gallagher, and William Appleman Williams understood at the time. See John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *The Economic History Review*, 2nd series 6: 1 (1953); William Appleman Williams, "The Frontier Thesis and American Foreign Policy," *Pacific Historical Review* 24: 4 (Nov., 1955): 379-395. See also John Darwin, *The Empire Project: the Rise and Fall of the British World System 1830-1970* (New York: Cambridge University Press, 2009), 649-655.

[55] Frederick Cooper, *Colonialism in Question: Theory, Knowledge, History* (Berkeley: University of California Press, 2005), 19-20; Christopher J. Lee, "Between a Moment and an Era: The Origins and Afterlives of Bandung," in Lee, *The Bandung Moment*, 1-43.

post-colonial change, but rather may examine the many ways people understood new forms of political and economic power.[56]

The key insights of the dissertation come together to interpret the "long 1970s," as Tony Judt put it, as "the hinge on which the second half of our century turned."[57] The

---

[56]Gikandi, *Maps of Englishness*, 15-19; Arif Dirlik, "The Postcolonial Aura: Third World Criticism in the Age of Global Capitalism," *Critical Inquiry* 20 (1994): 328-356. The point builds on Salim Yaqub's critique that orientalist bias does little to prove that the documented condescension had an impact on U.S. Middle East policies, even if it may help explain the broader assumptions of some policymakers. On this point, see Yaqub, *Containing Arab Nationalism*, 11-15. In the 1970s, for understandable reasons the same period in which Said researched and wrote this thesis, orientalist bias was much more evident in popular culture than in the debates of top officials. One classic example is the creation of "The Iron Sheikh" as the nemisis of Hulk Hogan in professional wrestling. In his seminal work on the subject, *American Orientalism*, Douglas Little contends that orientalism and anticommunism combined to "put the American eagle on a collision course with the sphinx of Arab nationalism." Importantly, Little concedes that this description holds most true for the period between 1945 and 1970, and less for the following era. See Little, *American Orientalism: The United States and the Middle East since 1945*, 3rd. ed (Chapel Hill: University of North Carolina Press, 2008); Idem., "The Eagle and the Sphinx," The MacMillan Center, Council on Middle Eastern Studies, Working Papers, *The United States & the Middle East: Diplomatic and Economic Relations in Perspective*, 101-110.

[57] Quoted in Sarotte, *1989: The Struggle to Create Post-Cold War Europe* (Princeton: Princeton University Press, 2009), 6. A first wave of scholarship has admonished the decade for its fiascos and failures. "The history of the twenty years after 1973," Eric Hobsbawm writes, "is that of a world which has lost its bearings and slid into instability and crisis." Of the increasingly colossal scholarship on foreign relations, writers have closely analyzed the impact of the Watergate debacle and the United States' inglorious exit from Vietnam, as well as the grand vision and practice of "Nixinger" foreign policy. See *The Age of Extremes: The Short Twentieth Century* (London: Verso, 1994), 403; Andreas Killen, *1973 Nervous Breakdown: Watergate, Warhol, and the Birth of Post-Sixties America* (New York: Bloomsbury, 2006); Peter N. Carroll, *It Seemed Like Nothing Happened: America in the 1970s* (New York: Rutgers University Press, 1990). Political historians differ on the causes and consequences of that instability, emphasizing the early culture wars. On one end of the spectrum, Bruce Schulman argues that American culture became more conservative. On the other end, Philip Jenkins has rendered the 1970s as an inherently liberal culture, one in which mainstream culture absorbed movements considered radical in the 1960s. See Bruce J. Schulman, *The Seventies: The Great Shift In American Culture, Society, And Politics* (New York: Da Capo Press, 2002); Bruce J. Schulman and Julian Zelizer, eds., *Rightward Bound: Making America Conservative in the 1970s* (Cambridge, Mass.: Harvard University Press, 2008); Philip Jenkins, *Decade of Nightmares: The End of the Sixties and the Making of Eighties America* (New York: Oxford University Press, 2008). New scholarship has emphasized the renewal of conservatism as the predominant force in national politics, describing it in local grassroots politics, the Washington bureaucracy, and the national economy. See for example, Kenneth Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York: Oxford University Press, 1987); Peter Steinfels, *The Neoconservatives: The Men Who Are Changing America's Politics* (New York: Touchstone, 1980); Lisa McGirr, *Suburban Warriors: The Origins of the New American Right* (Princeton, NJ: Princeton University Press, 2002); Kevin M. Kruse, *White Flight: Atlanta and the Making of Modern Conservatism* (Princeton, NJ: Princeton University Press, 2007); Matthew D. Lassiter, *The Silent Majority: Suburban Politics in the Sunbelt South* (Princeton, NJ: Princeton University Press, 2007); James Mann, *Rise of the Vulcans: The History of Bush's War Cabinet* (New York: Viking, 2004); Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the*

study of the energy crisis makes clear that the place of the United States in the world was not only a consequence of its own rising star. American power also stood in the ability of policymakers to provide continuity for past linkages. The most critical of these, cheap and plentiful energy, was fundamental to American prosperity and power in the first three decades after World War II. The strength of the imperial linkage depended on the willingness of the oil producers to accept that continuity. The following work is a story of how oil producers rejected continuity and how the United States sought to maintain it, moving through phases of indecision and acquiescence, but finally settling on a policy rooted in economic thought.

Telling the story in this way throws the high stakes of diplomacy in the 1970s into sharp relief. Perhaps the best feature of recent histories of globalization is the emphasis on structural change in the international economy. But by stressing process over agency, historians have obscured the role of individuals within national governments and international institutions. Diplomacy was not submissive, reactionary, or immaterial. Policymakers and diplomats in Washington, London, and New York, not to mention in Tehran, Riyadh, Caracas, Geneva, Tripoli, and Baghdad, shaped the energy crisis with their political and ideological gambles. The recent movement of the 1970s from the realm of commentary to history has allowed scholars to reassess the period. Policymakers were forced, in the words of historian Charles Maier, to undertake a "fundamental rethinking of the economic and political axioms that had been taken for granted since the Second World War."[58] New beliefs emerged out of this rethinking. Foremost among them, according to the tenets of neoliberal diplomacy, was the notion

---

Seventies (New Haven: Yale University Press, 2011); William C. Berman and Stanley I. Kutler, *America's Right Turn: From Nixon to Clinton* (Baltimore: Johns Hopkins University Press, 1994); Laura Kalman, *Right Star Rising: A New Politics, 1974-1980* (New York: Norton, 2010).

[58] In Ferguson, Maier, Manela, Sargent, eds., *The Shock of the Global*, 26.

that free market competition would be the unfailing and exclusive remedy for international economic ills.

The main point is the simplest: the significance of the energy crisis not only as a cauldron of ideas about international economy but as a moment of change in the second half of the twentieth century. Permanent sovereignty and neoliberal diplomacy shaped, justified, and in the same instant presented powerful interpretations of the newly developing global system. The emphasis on the ideological *and* material underpinnings of each, an evaluation of the links between power politics and ideas in the past. The resulting narrative is one of intellectual and diplomatic forces that helped create the world in which we now live.

Prologue: *Prelude to Crisis, 1939 - 1960*

In this scheme, it is Latin America's position to act as part of the periphery of the world economic system, in the specific role of producing food and raw materials for the large industrial centers.

Raúl Prebisch, 1949[59]

Rarely if ever, has the development of economics by its own force blazed the way to new perspectives....The major recastings of economic thought...were all responses to changing political conditions and opportunities.

Gunnar Myrdal, 1957[60]

On a cold day in October 1947, the energy experts of the United States and Great Britain squared off in Washington, D.C. The expertise at the negotiating table was impressive, the tension palpable. Representing the United States were Walter Levy, a German émigré who tracked Axis oil shipments during the war, and John Loftus, the longtime director of the State Department's Petroleum Division. Heading the British delegation was Angus Beckett, the Permanent Under-Secretary at the Ministry of Power and the chair of the Oil Committee of the Organization of Economic Cooperation and Development from its inception until his retirement in 1973.[61]

59Raúl Prebisch, "El Desarrollo Económico de la América Latina y Algunos de sus Principales Problemas," *El Trimestre Económico* 16 (1949): 348.

60 Gunnar Myrdal, *Asian Drama: An Enquiry into the Poverty of Nations*, vol. 1 (London: Pantheon, 1968), 9.

61 "Interim Report on Petroluem Conversations," October 13, 1947, National Archives and Records Administration, Records of Interdepartmental and Intradepartmental Committees, Box 27 (hereafter, NARA, RG 353, 27. See Ethan Kapstein, *The Insecure Alliance: Energy Crises and Western Politics since 1944* (New York: Oxford University Press, 1989), 21-70; Robert A. Pollard, *Economic Security and the Origins of the Cold War, 1945-1950* (New York, 1985); NSC 138/1, Report to the National Security Council by the Departments of State, Defense, the Interior, and Justice, "National Security Problems Concerning Free World Petroleum Demands and Potential Supplies," January 6, 1953, in William Zlany, ed., *Foreign Relations of the United States, 1952-54,* volume I, part 2, *General Economic and Political Matters* (Washington, DC: US Government Printing Office, 1983), Document 159 (hereafter *FRUS, 1952-*

The experts formed part of a trans-Atlantic planning project, an enormous bureaucracy with the official mission of nothing less than the design of the postwar international economy. The ravages and dislocations of war had left the industrial world, particularly Western Europe, in ruins. Economic and political vulnerabilities loomed large. For many planners, an atomic-powered Cold War created near-apocalyptic anxiety. Months earlier, U.S. President Harry Truman had shocked Congress with a $400 million aid request for Greece and Turkey. The experts understood that the petition had been but a small down payment on the Western effort to stem the advance of communism. In June, U.S. Secretary of State George Marshall made public the European Recovery Act, a plan under which the United States would bankroll Western European reconstruction.[62]

Energy was a vital subtext throughout. The two delegations shared a common objective, the secure control of the raw materials most critical to postwar prosperity. But discussions had stalled on how best to supply the energy needed to implement the

---

1954, I/2, Document Number). Interesting new work is being done by doctoral students Sebastian Herbstreuth (Sociology, Cambridge University) and Paul Baltimore (History, University of Santa Barbara) on the role of oil in American political culture. On economic expertise, in the words of one historian, "economists presumably unsullied by the rough and tumble world of political horsetrading" see: Elizabeth Borgwardt, *A New Deal for the World: America's Vision for Human Rights* (Cambridge, Mass.: Harvard University Press, 2007), 91. On the American and Western European discourses of economic expertise, see Amy Staples, *The Birth of Development: How the World Bank, Food And Agriculture Organization, And World Health Organization Have Changed the World, 1945-1965* (Kent: Kent State University Press, 2006), 22-46; Perrin Selcer, "Patterns of Science: Developing Knowledge for a World Community at Unesco" (PhD, University of Pennsylvania, 2011).

62 For an introduction to the broad strategic issues, see: Michael J. Hogan, *The Marshall Plan: America, Britain and the Reconstruction of Western Europe, 1947-1952* (New York: Cambridge University Press, 1989), 26-87; Marc Trachtenberg, *A Constructed Peace: The Making of the European Settlement, 1945-1963* (Princeton: Princeton University Press, 1999), 3-65; Michael Hogan, *A Cross of Iron: Harry S. Truman and the Origins of the National Security State, 1945-1954* (New York: Cambridge University Press, 1995), 69-118; Melvyn Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford: Stanford University Press, 1992), 312-344; John Gaddis, *The United States and the Origins of the Cold War* (New York: Columbia University Press, 1971), 316-352; John Gaddis, *Strategies of Containment: A Critical Appraisal of American National Security Policy during the Cold War*, rev. ed. (New York: Oxford University Press, 2005), 24-53.

Marshall Plan. Time was wasting; the proposal was due before the American Congress. In Beckett's opinion, the Americans had held up matters by arguing that recovery should be stoked by European coal rather than petroleum. The American fear, shared in the State Department and the White House, was that instability in the Middle East would limit western access to the massive oil deposits there. A combustible mix of nationalism and imperialism, not to mention the economic drain of oil purchases on Europe's scant dollar supplies, made German and Polish coal a safer bet.[63] For Beckett, this attitude was a deal breaker. He would not budge from his position that low-cost oil from the Persian Gulf would better fuel the economic recovery of his country, as well as of continental Europe and Japan.[64]

Considerations beyond the control of the experts soon resolved the disagreement. As autumn turned to winter in 1947, the clash between the United States and the Soviet Union reached a fever pitch. Fears that Josef Stalin would use East German and Polish coal as a political lever finally convinced the Truman administration that Middle Eastern oil presented the best option for industrial recovery. Over 10 percent of the total aid extended under the Marshall Plan would finance imports of oil from American oil companies to Europe between 1947 and 1952. The aid helped preserve markets for the

---

63 For the perspective of one of the participants, see John Loftus, "Middle East Oil: The Pattern of Control," *Middle East Journal* 2: 1 (Jan. 1948): 17-32. On the "dollar drain," see: David S. Painter, *Oil and the American Century: The Political Economy of U.S. Foreign Oil Policy, 1941-1954* (Baltimore: Johns Hopkins University Press, 1986), 160-165; John G. Clark, *The Political Economy of World Energy: A Twentieth-Century Perspective* (Chapel Hill, NC: University of North Carolina Press, 1991), 106-107.

64 That this was "sterling oil" played no small part in Beckett's position. On the question of "dollar oil" and "sterling oil" see: Steve Galpern, *Money, Oil, and Empire in the Middle East: Sterling and Postwar Imperialism, 1944-1971* (Cambridge: Cambridge University Press, 2009), 59-79; Ethan Kapstein, *The Insecure Alliance: Energy Crisis and Western Politics since 1944* (New York: Oxford University Press, 1989), 70-75; Richard Gardner, *Sterling-Dollar Diplomacy in Current Perspective: The Origins and Prospects of Our International Economic Order* (New York: Columbia University Press, 1980).

multinational companies and shape the relations between the oil-consuming and oil-producing countries.[65]

A dominant concern drove the oil experts' discussion: the link between international politics and oil production was a potentially explosive one. The United States used a corporatist policy to wet the fuse, separating questions of international politics from economic concerns. The period marked by this foreign policy, the postwar petroleum order, lasted approximately twenty years.

Conflicts over the international economy during those two decades did not revolve solely around the battle between capitalism and communism. The issue of the place of former colonies and underdeveloped nations challenged the viability of the postwar structure envisioned by planners such as Loftus, Levy, and Beckett. Third World economic nationalism emphasizing permanent sovereignty over natural resources yoked international politics and economics together more and more tightly. By 1960, permanent sovereignty would become a major tenet of post-war anti-colonialism. The belief that permanent sovereignty was an inherent national right united Third World leaders, including the founding members of the Organization of Petroleum Exporting Countries (OPEC).

WORLD WAR II AND ENERGY SECURITY, 1939-1952

This discussion of permanent sovereignty does not attempt to recount the details of challenges to energy security in the 1950s, which have been told many times elsewhere. Rather, the objective here is to explain how permanent became the foundation of an alternative vision for the international political economy, essential to Third World leaders' conception of a post-imperial age.

---

[65] David S. Painter, "The Marshall Plan and Oil," *Cold War History* 9: 2 (May 2009), 159-160.

To understand the movement of economic thought across Third World political culture, it is necessary to delineate the broad transformations in the international economy during and after World War II, especially those concerning oil. During the war, American policymakers became convinced that the security of the United States depended on keeping the world's oil supplies under Allied control. As the Cold War commenced and the first wave of decolonization began to crest, Middle Eastern oil became crucial to Western economic growth, the containment of the Soviet Union, and the control of nationalism. The policy guidelines set down in the Roosevelt and Truman administrations created a postwar petroleum order that had considerable staying power.

U.S. government interests in foreign oil were limited prior to its entry into World War II. High levels of domestic production had more than covered American needs for the previous 75 years. The United States had been the undisputed global leader in production, supplying between 60 and 70 percent of worldwide demand, almost exclusively from indigenous deposits. To be certain, the issue of foreign oil drew the attention of officials at particular junctures. During World War I, military officers recognized the importance of foreign oil for wartime needs. Foreign supply became a focal point immediately afterwards, when U.S. Geological Survey predicted the imminent depletion of domestic sources. At the same time, oil executives and State Department officials worried over British efforts to exclude American companies from impressive new fields in the Dutch East Indies and the Middle East.[66]

---

[66] Michael J. Hogan, "Informal Entente: Public Policy and Private Management in Anglo-American Petroleum Affairs, 1918-1924," *Business History Review* (Summer 1974): 187-205. On this period, see Stoff, *Oil, War, and American Security*, 2-6; Gerald D. Nash, *United States Oil Policy, 1890-1964* (Pittsburgh: University of Pittsburgh Press, 1968), 23-98; Joan Hoff Wilson, *American Business and Foreign Policy, 1920-1933* (Lexington: University of Kentucky Press, 1971), 184-200; Gregory P. Nowell, *Mercantile States and the World Oil Cartel, 1900-1939* (Ithaca, N.Y.: Cornell University Press, 1994); Yergin, *The Prize*, 165-206.

The aggressive policy gave British companies 50 percent of the world's proven reserves. For American oilmen, British actions smacked of the worst kind of imperialism. Most galling, British officials had signed the San Remo Agreement with the French in 1920, dividing between themselves the preeminent oil areas of Mesopotamia and the Balkans and closing the regions off to companies from other nations.[67] The actions breached the Open Door policy and flouted the larger Wilsonian principles of economic internationalism. Executives blamed the U.S. government for failing to provide diplomatic support in the face of British verve. In an argument that would become familiar, they linked national security to the expansion of American oil holdings abroad.[68]

Domestic events soon overtook these international concerns. The fear of scarcity disappeared as unbridled competition led to the discovery of new fields in Texas, California, and Oklahoma, confirming the United States as the global production leader.[69] Furthermore, pressure by the U.S. State and Commerce Departments helped American companies gain concessionary positions in the Middle East and Dutch East Indies in the 1930s.[70] Thus, the New Dealers in charge of American oil policy faced the problem of a glut rather than a shortage, as oil from the American Southwest, Venezuela, Mexico, Russia, and Iraq flooded world markets and drove prices below production costs. In the national and international contexts of economic depression and industrial collapse,

---

67 Anand Toprani, "The French Connection: A New Perspective on the End of the Red Line Agreement, 1945-1948," *Diplomatic History* 36: 2 (April 2012): 261-267.

68 John A. DeNovo, "The Movement for an Aggressive American Oil Policy Abroad, 1918-1920," *American Historical Review* (July 1956): 854-876; Yergin, *The Prize*, 207-302. For a macro-economic discussion, Gregory P. Nowell, "Imperialism and the Era of Falling Prices," *Journal of Post Keynesian Economics* 25: 2(Winter 2002-3): 309-329.

69 Paul Sabin, *Crude Politics: The California Oil Market, 1900-1940* (Berkeley: University of California Press, 2005), 80-106; Martin R. Ansell, *Oil Baron of the Southwest: Edward L. Doheny and the Development of the Petroleum Industry in California and Mexico* (Columbus: Ohio State University Press, 1998); Diana Davids Olien and Roger M. Olien, *Easy Money: Oil Promoters and Investors in the Jazz Age* (Chapel Hill: University of North Carolina Press, 2009), 25-52.

70 Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, 1974), 188-241.

policymakers and businessmen worked to slow production to a profitable level, although they rarely agreed on how to do so.[71]

Internationally and nationally, business competitors eventually found a common solution to the problem of competition. They bonded together into cartel arrangements to lower production and control marketing. The relative success of the 1928 Achnacarry Agreement—in which Shell, Anglo-Persian, and Jersey Standard settled terms that stabilized the price of oil in the international market—was soon copied by the smaller oil companies within the United States.[72] The Interstate Oil Compact of 1935 vested authority over oil production with state agencies, particularly the Texas and Louisiana Railroad Commissions. Working closely with the American Petroleum Institute, the commissions consolidated a public-private, corporatist system by which the industry evaded federal anti-trust regulations and protected the markets from price-gouging surpluses.[73]

Despite its growing importance as a fuel in the interwar years, foreign oil did not become a national security concern for Franklin Delano Roosevelt and his closest advisers until the outbreak of hostilities. Oil came to their attention for one reason: it was critical to fighting and winning the war. Hitler's plan to militarize Germany included the national conversion from a coal-based to petroleum economy. The 1941 invasion of the Soviet Union owed much of its motivation in great part to Germany's need to secure the

[71]Stoff, *Oil, War, and American Security*, 7-17; Nash, *U.S. Oil Policy*, 112-127.
[72] U.S. Federal Trade Commission, *The International Petroleum Cartel*, FTC Staff Report Submitted to the Subcommittee on Monopoly of the Select Committee on Small Business, U. S. Senate, 82nd Cong., 2nd Sess. (Washington, 1952), 200-274.
[73]David F. Priddle, *Petroleum Products and the Texas Railroad Commission* (Austin: University of Texas Press, 1981); Sabin, *Crude Politics*, 111-158; Gary D. Libecap and Steven N. Wiggins, "Contractual Responses to the Common Pool: Prorationing of Crude Oil Production," *The American Economic Review* 74: 1 (March 1984): 87-98.

petroleum of the Ukraine, Romania, and the Caucasus.[74] Similarly, Japanese militarists' drive to free their country from its dependence on western companies for petroleum was a basic motive for the takeover of Indonesian oil fields and the attack on the United States.[75] To defeat the Axis, the United States and its allies needed to send the spare capacity of the Western Hemisphere, especially from the southwest United States and the Caribbean, to forces in Europe and Asia. To meet military needs, the Roosevelt administration diverted civilian consumption, built new pipelines, redirected tankers from the East Coast to England, and defended those tankers from Germany's deadly U-boat campaign in the North Atlantic.[76]

Control over oil production outside the Western Hemisphere became a major strategic imperative after March 1941, when a pro-Axis military junta seized power in Iraq. The Roosevelt administration began to share its allies' trepidation that the Axis could take over the Middle East. If this happened, Japan and Germany would be united along Asia's southern rim, with dreadful consequences. British oil concessions in Iran, Iraq, and Kuwait, as well as the great refinery at Abadan, provided the war effort with vital products. Not only would the Axis gain control of the enormous oil reserves of the Persian Gulf, it would also seal off the critical supply route to the Soviet Union and cut British lines of imperial communications.[77]

---

74 Joel Hayward, "Hitler's Quest for Oil: The Impact of Economic Considerations on Military Strategy, 1941–42," *Journal of Strategic Studies* 18: 4 (1995): 94-135; Adam Tooze, *The Wages of Destruction*: *The Making and Breaking of the Nazi Economy* (New York: Penguin, 2006), 285-367.

75 Michael A. Barnhart, *Japan Prepares for Total War: The Search for Economic Security, 1919-1941* (Ithaca: Cornell University Press, 1987), 136-147; Walter LaFeber, *The Clash: U.S.-Japanese Relations throughout History* (New York: Norton, 1998), 174-196.

76 Robert Vitalis, *America's Kingdom: Mythmaking on the Saudi Oil Frontier* (Stanford: Stanford University Press, 2006), 63-67; Painter, *Oil and the American Century*, 35-47.

77 James A. Thorpe, "The United States and the 1940-1941 Anglo-Iraqi Crisis: American Policy in Transition," *Middle East Journal* 25: 1 (1971): 79-89; Stoff, *Oil*, *War, and National Security*, 43-44; Cordell Hull, *The Memoirs of Cordell Hull*, vol. 2 (London: Hodder and Stoughton, 1948), 1598-1600; Aaron David Miller, *Search for Security: Saudi Arabian Oil and American Foreign Policy, 1939-1949* (Chapel Hill: University of North Carolina Press, 1980); Irvine H. Anderson, Jr., *Aramco, the United*

The Allied powers undertook two major initiatives to prevent the Axis from making further gains, thus keeping the upper hand in the Middle East. First, the Americans, British, and Soviets occupied Iran, which was dangerously close to aligning itself with Germany. Second, the Roosevelt administration declared Saudi Arabia eligible for Lend-Lease aid.

Wartime events in Saudi Arabia and Iran foreshadowed the conflicts between nationalism, colonialism, and oil production that the postwar petroleum order would need to allay. Concerned about the German presence, Great Britain and the Soviet Union invaded Iran on August 25, 1941. Muhammad Reza Pahlavi replaced his exiled father as Shah. Upon entering the war, the United States joined the USSR and Britain in the occupation. Iranian leaders feared of a joint Anglo-Soviet imperial dismemberment and pushed for greater American influence. An independent Iran was in the interest of the United States and policymakers readily complied, declaring Iran eligible for Lend-Lease aid on March 10, 1942.[78] The American presence grew considerably in the following three years, which sharply increased tension between the United States and the other occupiers. The Soviet Union was particularly alarmed in 1944 when the State Department recommended that the Iranian government hire American petroleum consultants as the primary advisers on the granting of concessions.[79]

States, and Saudi Arabia: A Study in the Dynamics of Foreign Policy. 1933–1950 (Princeton: Princeton University Press, 1980); Simon Davis, "Keeping the Americans in Line? Britain, the United States, and Saudi Arabia, 1939-1945," *Diplomacy and Statecraft* 8: 1 (1997): 96-136.

78 F. Eshraghi, "Anglo-Soviet occupation of Iran in August 1941," *Middle Eastern Studies* 20: 1 (January 1984): 27-52; James Bill, *The Eagle and the Lion: The Tragedy of American-Iranian Relations* (New Haven, Conn.: Yale University Press, 1988), 15-31; Gaddis, *The United States and the Origins of the Cold War*, 310-312; Stephen L. McFarland, "A Peripheral View of the Origins of the Cold War: The Crises in Iran, 1941–47," *Diplomatic History* 4: 4 (Oct. 1980): 333-352.

79 Geoffrey Roberts, "Moscow's Cold War on the Periphery: Soviet Policy in Greece, Iran, and Turkey, 1943-8," *Journal of Contemporary History* 46: 1 (January 2011): 58-81.

British leaders also expressed concern. Britain had successfully undermined American company attempts to gain concessions in Iran in 1920, 1937, and 1940. Now it appeared that the growing American presence would upset the international petroleum status quo. In response to concern about "the oil question" expressed by Winston Churchill, Roosevelt wrote the prime minister in March 1944 to express his "assurances that we are not making sheep's eyes at your oil fields in Iraq or Iran." Churchill thanked Roosevelt and, continuing the ovine metaphor, promised in turn not "to horn in upon your interests or property in Saudi Arabia."[80]

The Roosevelt administration had no intention of allowing the British to do so, and also declared Saudi Arabia eligible for Lend-Lease aid in 1943.[81] The vast extent of Saudi oil reserves was familiar to strategic planners and soon would be considered "the greatest single prize in all history" by one analyst.[82] The nascent commercial production of what would become the Arabian American Company (Aramco), a joint initiative of Chevron and Texaco, had only begun in 1939. Production virtually ceased because of the war. The owners of Aramco approached the Roosevelt administration in 1941 with a proposed $6 million loan for the cash-strapped Saudi monarchy. Roosevelt agreed but channeled the loan through the British government for political reasons. Aramco executives, though thankful, feared that the British would use their loan to gain control of

---

[80]Bruce Kuniholm, *Origins of the Cold War in the Near East: Great Power Conflict and Diplomacy in Iran, Turkey, and Greece* (Princeton: Princeton University Press, 1980), 184.

[81] Irvine H. Anderson, "Lend-Lease for Saudi Arabia: A Comment On Alternative Conceptualizations," *Diplomatic History* 3 (1979): 413–424; Stoff, *Oil, War, and National Security*, 34-61; Rachel Bronson, *Thicker than Oil: America's Uneasy Partnership with Saudi Arabia* (Oxford: Oxford University Press, 2006), 36-43; Madawi al-Rasheed, *History of Saudi Arabia* (Cambridge: Cambridge University Press, 2002), 91-105.

[82]Yergin, *The Prize*, 393. On this period recently, see Maurice Jr. Labelle, "'The Only Thorn': Early Saudi-American Relations and the Question of Palestine, 1945–1949," *Diplomatic History* 35 (2011): 257–281; Toby Craig Jones, *Desert Kingdom: How Oil and Water Forged Modern Saudi Arabia* (Cambridge, Mass.: Harvard University Press, 2010), 39-49.

the Saudi concession.[83] State Department officials agreed, and in February 1943 Roosevelt authorized direct Lend-Lease aid to the kingdom. Over the next two years, the U.S. government supplied $18 million of goods and services to the Saudi monarchy. Saudi oil began flowing to the Allied cause by 1944, even as the effort to choke off German and Japanese oil supplies found success.[84]

Secretary of State Cordell Hull condensed the positions of Iran and Saudi Arabia for President Franklin D. Roosevelt in August 1943. American diplomacy needed to counteract historical and contemporary British and Soviet aspirations to control Iran, Hull told Roosevelt. "From a more directly selfish point of view, it is to our interest that no great power be established on the Persian Gulf opposite the important American petroleum development in Saudi Arabia," he continued.[85]

For the Roosevelt administration and its successors, international oil was inextricably linked to the question of imperialism and international corporations. American interest in the Persian Gulf contradicted traditional national positions regarding imperialism and business cartels. Roosevelt himself had long been a staunch anti-imperialist and, like many others, had decried the anti-Wilsonian agreements that had become pervasive in the interwar era. "As a people, as a country, we're opposed to imperialism—we can't stomach it," he told Winston Churchill over dinner in 1942.[86] The president used anti-imperial imagery to emphasize the uniqueness of the American

---

83 In 1943, James Moffett, the chairman of the Bahrain Petroleum Company and advisor to Roosevelt, spoke directly to the President about the possibility of Lend-Lease aid for Saudi Arabia. U.S. Congress, Senate, Special committee Investigating the National Defense Program, *Petroleum Arrangements with Saudi Arabia, Part 41, Hearings before a Special Committee Investigating the National Defense Program*, 80th Congress, First Session, 1948, pp. 24707-24710.

84 Miller, *Search for Security*, 36-45; Simon Davis, "Keeping the Americans in Line," 96-136.

85 Memorandum by John D. Jernagan, The Division of Near Eastern Affairs, "American Policy in Iran," January 23, 1943, in *The United States and Iran,* Yonah Alexander and Allan Nanes, eds. (Frederick, MD: Aletheia Books, 1980), 104.

86 Robert Dallek, *Franklin Roosevelt and American Foreign Policy, 1932-1935* (New York: Oxford University Press, 1995), 324.

relationship with Saudi Arabia in 1945, telling Ibn Saud during their famous meeting in the Great Bitter Lake that "the English...work and sacrifice to bring freedom and prosperity to the world, but on the condition that it be brought by them and marked Made in Britain."[87]

Roosevelt found international business cartels as anathematic as imperialism and described them in similar terms. "During the past half century, the United States has developed a tradition in opposition to private monopolies," he wrote to Cordell Hull. "The Sherman and Clayton Acts have become as much a part of the American way of life as the due clause of Constitution." Identifying cartels in the hands of the Nazis as "governmental instrumentalities to achieve political ends," Roosevelt further argued that "the defeat of the Nazis will have to be followed by the eradication of these weapons of economic warfare....Cartel practices which restrict the free flow of goods in foreign commerce will have to be curbed."[88]

On both counts, corporate cartels and imperialism, Roosevelt and his successor, Harry Truman, backed away in practice from what they preached. Roosevelt gradually began to see the pragmatic benefits of empire as the Allies planned for the postwar world.[89] Leaders of liberation movements in Africa, Asia, and the Middle East quickly became disenchanted with the Roosevelt and Truman administrations' decision not to uphold the much-touted revolutionary nationalist principles of the United States.[90] In an

---

87 Lloyd Gardner, *Three Kings: The Rise of an American Empire in the Middle East after World War II* (New York: The New Press, 2009), 20-21. See also W. Taylor Fain, *American Ascendance and British Retreat in the Persian Gulf Region* (New York: Macmillan, 2008), 20-24.

88 Paul H. Frankel, *Essentials of Petroleum: A Key to Oil Economics* (New York: Routledge 1969), 122.

89 Like many things about Roosevelt and World War II diplomacy, this is debatable. For an introduction, see Mark A. Stoler, "A Half Century of Conflict: Interpretations of U.S. World War II Diplomacy," *Diplomatic History* 18 (1994): 375–403. For an intellectual view, see David A. Hollinger, "How Wide the Circle of the 'We'? American Intellectuals and the Problem of the Ethnos since World War II," *The American Historical Review* 98: 2 (April 1993): 317-337.

90 Scott Jackson, "Prologue to the Marshall Plan: The Origins of the American Commitment for a European Recovery Program," *The Journal of American History* 65: 4 (March 1979): 1043-1068; Melvyn

understudied aspect of this broader political pattern, the Roosevelt and Truman administrations shared the British, French, and Dutch belief that decolonization could not be permitted to upset the utilization of colonial raw materials for the reconstruction of Europe.[91]

Continued access to those materials would be achieved by a variety of corporate relationships, which often moved along imperial lines. Issues of concern to the less developed territories were muted by problems western policymakers believed to be of greater importance. The economic role of the "new" countries and other so-called "backward areas" was a shared assumption, second fiddle to the larger questions of the Cold War. American officials in particular understood that the great majority of the raw materials necessary for reconstructing European industrial capacity would come from what would soon be called the Third World.[92] The assumption was *pro forma*. The enabling legislation of the Marshall Plan included specific language supporting the goal of conserving western hemisphere resources by encouraging the raw material development of these countries. The language was hardly debated.[93] The containment of

---

P. Leffler, "The United States and the Strategic Dimensions of the Marshall Plan," *Diplomatic History 12* (1988): 277–306.

[91] Nicholas J. White, "Reconstructing Europe through Rejuvenating Empire: the British, French, and Dutch Experiences Compared," *Past and Present* 210 (2011): 211-236; Neil Smith, *American Empire: Roosevelt's Geographer and the Prelude to Globalization* (Berkeley: University of California Press, 2003), 347-373; Robert J. McMahon, *The Limits of Empire: the United States and Southeast Asia since World War II* (New York: Columbia University Press, 1999), 1-14; Cary Fraser, "Understanding American Policy towards the Decolonization of European Empires, 1945–64," *Diplomacy & Statecraft* 3: 1 (1992): 105-125; Robert E. Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Berkeley: University of California Press, 1986); Louisa Rice, "Cowboys and Communists: Cultural Diplomacy, Decolonization and the Cold War in French West Africa," *Journal of Colonialism and Colonial History* 11: 3 (2010).

[92] Robert E. Wood, "From Marshall Plan to the Third World," in Melvyn P. Leffler and David S. Painter, eds., *The Origins of the Cold War: An International History*, 2nd ed. (London: Routledge, 2005), 239-250.

[93]Kapstein, *The Insecure Alliance*, 65-72. Even the United States, which was still the largest oil producer in the world, began to import petroleum in 1947. See U.S. Congress, House Committee on Interstate and Foreign Commerce, Fuel Investigation: Petroleum and the European Recovery Program, H. R. 1438, 80th Cong., 2d. sess., 1948.

communism included the strategy of aligning the Western European, American, and Japanese industrial effort with the natural resources from less-developed areas.[94]

At the same time, a "politics of productivity" became axiomatic to the Western sense of security. Economic revitalization and the containment of communism relied on economic growth and increases in standards of living.[95] Cheap and accessible energy supplies would drive that sense of well-being. Thus, the recovery of the international economy and the security of the United States and its Cold War allies depended increasingly on access to the oil of the Middle East. "Enough oil within our certain grasp seemed ardently necessary to greatness and independence in the twentieth century," wrote historian and State Department adviser Herbert Feis in 1946.[96]

---

[94]Historians with widely different interpretations of the origins of the Cold War agree on this point. See Leffler, *A Preponderance of Power*, 15-19; Gaddis, *The United States and the Origins of the Cold War*, 174-197; Hogan, *The Marshall Plan*, 238-292; Barry Eichengreen, ed. *Europe's Postwar Recovery* (New York: Cambridge University Press, 1995), 3-38; Benjamin O. Fordham, *Building the Cold War Consensus: The Political Economy of U.S. National Security Policy, 1949-1951* (Ann Arbor: University of Michigan Press, 1998).

[95] Charles Maier, *In Search of Stability: Explorations in Historical Political Economy* (Cambridge: Cambridge University Press, 1987), 121-152. Much of this vision built on the unique American sense of mission, which historians have noted also had a raw material component. Generations of historians have viewed the United States' abundant natural resources as a central component to its prosperity and democratic institutions, as well as to policymakers' belief in those institutions. In the 1890s, Frederick Jackson Turner credited "free land." In the 1950s, David Potter described how "a people of plenty" built American democracy on this abundant base. In the 1990s, Gavin Wright used the nation's raw material foundations to explain the "American industrial advantage." In a recent essay, Daniel Rodgers has shown how this sense of "American exceptionalism" was both a product and a driver of American thought in the Cold War. In this important sense, Rogers holds, American people and policymakers felt strongly that the United States was "[d]ifferent from the universal tendencies of history, the 'normal' fate of nations, the laws of historical mechanics itself." Much of this exceptionalism, Michael Adas also writes, resulted from the apparently unique abundance of natural resources. See Frederick Jackson Turner, "The Significance of the Frontier in American History," *Annual Report of the American Historical Association for the Year 1893* (Washington, D.C.: American Historical Association, 1894); David M. Potter, *People of Plenty: Economic Abundance and the American Character* (Chicago: University of Chicago Press, 1954); Gavin Wright, "The Origins of American Industrial Success," *American Economic Review* 80 (September 1990): 651-68; Daniel Rodgers, "Exceptionalism," in Anthony Mohlo and Gordon Woods, eds., *Imagined Histories: American Historians Interpret the Past* (Princeton: Princeton University Press, 1998), 23; Michael Adas, "From Settler Colony to Global Hegemon: Integrating the Exceptionalist Narrative of the American Experience into World History," *American Historical Review* 16:5 (2001): 1692-1720.

[96] Cited in Stoff, *Oil, War, and National Security*, 1.

That year, planners projected that by 1951 Western Europe would be importing 80 percent of its oil from the Middle East. The prediction was nearly correct. By 1953, NATO countries obtained about 75 percent of their oil from the Persian Gulf.[97] Some scholars have described Marshall Plan aid as expediting the political process of decolonization, but it also shaped an international political economy in which raw material producers and industrial nations had specific roles.[98] The primary economic position of the Third World was to serve as the source of raw materials for European and Japanese reconstruction.[99]

World War II and the nascent Cold War had transformed American strategic thinking, leading to a more expansive conception of national security. In an era also marked by decolonization and the emergence of national liberation movements, the task of restoring capitalism involved upholding Western European and Japanese economic growth. Prosperity was a tool to prevent the ideological divisions that led to the war, as well as the ascendance of groups hostile to capitalism or sympathetic to the Soviet Union. Yet Western Europe and Japan lacked the financial resources needed for reconstruction. An expansion of American trade and investment in the Third World would build on the temporary relief provided by the Marshall Plan. American dollars would flow to the

---

97 Yaqub, *Containing Arab Nationalism*, 282; Yergin, *The Prize*, 425.

98 Although certain parts of the nascent "Third World" received development aid from the United States in the late 1940s and early 1950s, it was either because of their proximity to the Soviet Union and China or part of the pervasive belief that the poverty of those nations facilitated the spread of international communism. When this was not the case, other strategic and economic concerns applied. Robert J. McMahon, *Colonialism and the Cold War*, 248-255; Robert J. McMahon, *The Cold War on the Periphery: The United States, India, and Pakistan* (New York, 1994), 22-23, 47-48; Nicholas J. Cullather, *Illusions of Influence: The Political Economy of United States-Philippines Relations, 1942-1960* (Stanford: Stanford University Press, 1994), 36-59.

99 Mark T. Berger, "Post-Cold War Capitalism: Modernization and Modes of Resistance after the Fall," *Third World Quarterly* 16:4 (1995): 719; R. A. Packenham, *Liberal America and the Third World: Political Development Ideas in Foreign Aid and Social Science* (Princeton: Princeton University Press, 1973); Bruce Cumings, "The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles and Political Consequences," *International Organization* 38: 1 (1984): 16-23.

Third World through investment and imports of raw materials. Western Europe and Japan would engage in trade, investment, and taxation to obtain these dollars.[100]

The treatment of oil-producing countries provides one example of the predominance of European and Japanese reconstruction in the American vision of national security. The understanding shaped the posture of the United States toward the developing countries after the war.[101] Oil produced in Saudi Arabia and Iran—not to mention in Iraq, Kuwait, and the Trucial sheikhdoms of the Persian Gulf—was crucial to the postwar recovery of Europe. Control over Middle Eastern oil was also necessary to keep oil prices low and to increase the profits of the big American oil companies that dominated the world oil market.

The United States decided on a corporatist structure to secure the flow of oil, by which the largest multinational companies would ensure energy security.[102] By the early 1950s, five American companies—Socony-Vacuum (later Mobil), Standard Oil of California (Chevron), Standard Oil of New Jersey (Exxon), the Texas Company (Texaco), and Gulf—along with the British-owned Anglo-Iranian Oil Company (later British Petroleum), and Royal Dutch/Shell controlled over 90 percent of oil reserves

---

100 David Painter, "Explaining U.S. Foreign Relations with the Third World," *Diplomatic History* 19 (1995): 532-533; Michael Schaller, "Securing the Great Crescent: Occupied Japan and the Origins of Containment in Southeast Asia," *Journal of American History* 69 (September 1982): 392-414; Kairn Klieman, "U.S. Oil Companies, the Lend-Lease Program, and American Diplomacy in Africa, 1940-45," Rice University Humanities Research Center, 2011.

101 Donald W. White, "The Nature of World Power in American History: An Evaluation at the End of World War II," *Diplomatic History* 11 (Fall 1989): 181-202; David S. Painter, "Oil and World Power," *Diplomatic History* 17 (Winter 1993): 159-170.

102 Painter, *Oil and the American Century*, 1-10; Stoff, *Oil, War, and National Security*, 207-215; Citino, *From Arab Nationalism to OPEC*, 1-18; Penrose, *The Large International Firm*, 150–72; Stephen J. Randall, *United States Foreign Oil Policy Since World War I: For Profits and Security* (Montreal: McGill-Queen's University Press, 2005), 173-217. See also Michael B. Stoff, "The Anglo-American Oil Agreement and the Wartime Search for Foreign Oil Policy," *The Business History Review* 55: 1 (Spring, 1981): 59-74; Robert Vitalis, "The 'New Deal' in Egypt: The Rise of Anglo-American Commercial Competition in World War II and the Fall of Neocolonialism," *Diplomatic History* 20 (1996): 211–240; Robert Vitalis, "Black Gold, White Crude: An Essay on American Exceptionalism, Hierarchy, and Hegemony in the Gulf," *Diplomatic History* 26: 2 (Spring 2002): 185-213.

outside of the United States, Mexico, and the Communist countries. The same companies accounted for nearly 90 percent of world oil production, owned almost 75 percent of world oil refining capacity, and provided about 90 percent of the oil traded in international markets. The joint ventures of the companies, with the cooperation of their home governments, exercised an informal but strict control over the world oil economy, maintaining prices at highly profitable levels.[103]

To fuel what George Kennan called in 1932 "the romance of economic development," the West relied on oil from the Middle East and raw materials from other less-developed regions, including colonies and former colonies.[104] The supply of these materials reinforced the alignment envisioned by the economic planners of the day, between what Argentine economist Raúl Prebisch would soon term the "center" and the "periphery."

A CENTER AND A PERIPHERY

As the postwar petroleum order became a foundation of the international economy, a new school of thought gained popularity among the leaders of non-

---

[103] For detailed descriptions of each of the companies' holdings, see US Congress, Senate, Select Committee on Small Business, The International Petroleum Cartel: Staff Report to the Federal Trade Commission (Washington, DC: US Government Printing Office, 1952), 21–33. The largest joint ventures in terms of production are as follows. AIOC monopolized reserves and production in Iran, owned 50 percent of the Kuwait Oil Company, and held a 23.75 percent share in the Iraq Petroleum Company. Standard Oil of New Jersey owned 30 percent of ARAMCO, was the leading producer in Venezuela, and owned (with Socony-Vacuum) 23.75 percent of the Iraq Petroleum Company. Socony-Vacuum, in addition to its share in Iraq, held a 10 percent share in ARAMCO. SOCAL and the Texas Company also each owned 30 percent of ARMACO. Gulf shared ownership of the Kuwait Oil Company with AIOC and was the third largest producer in Venezuela. Under a long-term purchasing agreement, Gulf sold its Kuwaiti production to Shell rather than marketing it itself. Shell was the second largest producer in Venezuela, owned 23.75 percent of the Iraq Petroleum Company. Potential executors of permanent sovereignty thus had good reasons of their own to proceed with caution. The unhappy results of the Mexican nationalization in 1938 demonstrated the perils of "premature" strokes of nationalism. Actions by the U.S. Treasury, especially the development of beneficial tax codes for oil companies, also made a less adventurous position profitable to the oil-producing nations.

[104] Kennan quoted in David C. Engerman, "The Romance of Development and New Histories of the Cold War," *Diplomatic History* 28: 1 (January 2004): 28.

industrialized nations, new nations, and anti-colonial groups in Africa, Asia, Latin America, and the Middle East. The link between international politics and economics moved in the opposite direction of the corporatism of the postwar petroleum order, which sought to separate political problems from economic interests. If American policymakers took as given that these areas would serve as the sources of low-cost raw materials, the planned landscape preoccupied actors in what historian Vijay Prashad calls the "darker nations."[105] In the early 1950s, a transnational cluster of Third World elites began to argue that the international economy was steeped in a legacy of territorial and commercial expansion of imperial powers at the expense of less powerful and ethnically different peoples. The group found a voice in Raúl Prebisch, an Argentine central banker employed by the United Nations. In the following decade, Prebisch's economic thought became intimately linked to nationalist challenges to the postwar petroleum order in Iran and Egypt.[106]

---

[105] Vijay Prashad, *The Darker Nations: A People's History of the Third World* (New York: The New Press, 2007).

[106] Giving prominence to this oft-unspoken assumption of core-peripheral alignment amends recent scholarship, in which consumer preference and modernization have served as predominant themes of the Cold War international political economy. International consumer culture is central to the interpretation of twentieth-century foreign relations history, even more so in that economic development of the Third World became a central Cold War battleground. But, as consumer historian Victoria de Grazia concedes, "the cart of expectations" should not precede "the horse of productivity." See *Irresistible Empire: America's Advance through 20th-Century Europe* (Cambridge, Mass.: Belknap Press, 2007), 165. On consumer culture, see: Frank Trentmann, "Crossing Divides: Consumption and Globalization in History," *Journal of Consumer Culture* 9: 2 (July 2009):187-220. For similar analyses to my own, see Tony Smith, *The Pattern of Imperialism: The United States, Great Britain, and the Late-Industrializing World since 1815* (New York: Cambridge University Press, 1981), 158-181; Michael Hunt, *Ideology and U.S. Foreign Policy* (Chapel Hill: University of North Carolina Press, 1987), 92-124; Andrew Bacevich, *American Empire: The Realities and Consequences of U.S. Diplomacy* (Cambridge, Mass.: Harvard University Press, 2004), 32-54. Literature on modernization theory has exploded in the past decade: Michael E. Latham, *The Right Kind of Revolution: Modernization, Development, and U.S. Foreign Policy from the Cold War to the Present* (Ithaca: Cornell University Press, 2011); David C. Engerman, *Modernization from the Other Shore: American Intellectuals and the Romance of Russian Development* (Cambridge, Mass. : Harvard University Press, 2003); Nils Gilman, *Mandarins of the Future : Modernization Theory in Cold War America* (Baltimore : Johns Hopkins University Press, 2003).

UN action was central to the dissemination of Prebisch's economic ideas into the international community.[107] A relatively well-known economist, Prebisch first refused and then accepted an offer to direct the new UN Economic Commission for Latin America in 1948. His 1949 paper for the first conference of the commission, "The Economic Development of Latin America and Its Principal Problems," distilled an economic critique of the continuity of imperial economics.[108] Prebisch gave a full exposition of what became known as the doctrine of unequal exchange, or the terms of trade thesis.[109] Prebisch argued that the trade relationship between industrial nations and the producers of raw materials was characterized by inequality. The relative price of raw materials vis-à-vis finished products, their terms of trade, were too low to provide for economic growth in Latin America.[110]

107This is contrary to Mark Mazower's argument about the minimal importance of the UN. See Mazower, *No Enchanted Palace: The End of Empire and the Ideological Origins of the United Nations* (Princeton: Princeton University Press, 2009), 194-197. Prebisch's critique of the international economy was part of a broader sense of what Polish historian Andrzej Walicki called "nationalist internationalism," already shared by leaders in the oil-producing territories, as discussed in the next section. On the concept of international networks for different periods and issues, see Walicki, *Philosophy and Romantic Nationalism: The Case of Poland* (New York: Oxford University Press, 1982); Paul Thomas Chamberlin, *The Global Offensive: The United States, the Palestine Liberation Organization, and the Making of the Post-Cold War Order* (New York: Oxford University Press, 2012); Perrin Selcer, "Patterns of Science." Selcer argues that environmental scientists faced problems that were increasingly considered on a global scale: "the need to balance nature's books by adapting the pattern of natural resources exploitation to the requirements of global population growth."

108Prebisch, *The Economic Development of Latin America and its Principal Problems* (New York: UN, 1949). See John Toye and Richard Toye, *The UN and the Global Political Economy: Trade, Finance, and Development* (Bloomington: University Press of Indiana, 2004), 17-44, 110-127.

109 Hans Singer developed the terms of trade thesis simultaneously: Hans Singer, "The Distribution of Gains between Investing and Borrowing Countries," *American Economic Review* 40: 2 (1950): 473-485.

110 "The Problems of Economic Development" employed statistics published in the 1940s by the League of Nations and the UN and built on the theoretical work of American historical economist Charles Kindleberger and Austrian economist Paul Rosenstein-Rodan, and was foreshadowed by the Peruvian writer and activist Victor Raúl Haya de la Torre. See League of Nations, *Industrialization and Foreign Trade* (Geneva: League of Nations, 1945); United Nations, *Relative Prices of Exports and Imports of Under-developed Countries* (New York: UN, 1949); Kindleberger, *International Short-Term Capital Movements* (New York: Columbia University Press, 1937); Kindleberger, "The Economic Tasks of the Postwar World," *Foreign Affairs* (1942); Rosenstein-Rodan, "Problems of Industrialization of Eastern and South- Eastern Europe," *Economic Journal* 53: 210/211 (1943): 202-11; Rosenstein-Rodan, "The International Development of Economically Backward Areas," *International Affairs* 20: 2 (April 1944):

This was just the beginning for Prebisch. He would continue to promote the terms of trade thesis in a series of books, pamphlets, and articles that reached a crescendo with the 1964 founding of the United Nations' Conference on Trade and Development. From the publication of "The Problems of Economic Development" to a global application of his Latin American thesis, Prebisch argued that imperialism bequeathed an international economy stacked against the producers of raw materials.[111]

Many others joined him. Prebisch's initial analysis was influential for a number of reasons. Prebisch used the stark terms of "center" and "periphery" in a way that connected international economics with the politics of decolonization. Others quickly attached importance to the new use of the terms, and they soon became standard fare for discussions about the structural inequality of the international political economy.[112] Prebisch's critique also was readily available and persuasive for the leaders of anti-colonial movements, new nations, and the other members of Prebisch's "periphery." The recent past of Latin America, particularly Argengina, informed Prebisch's thinking.[113]

157-165; Hirschman, *A Bias for Hope: Essays on the Development of Latin America* (New Haven: Yale, 1971), 277-279; Haya de la Torre, *El Anti-imperialismo y el Apra* (Santiago de Chile: Ercilla, 1936); Prebisch also criticized Bretton Woods monetary planners for their inability to force members to "play by the rules of the game." See "Observaciones sobre los Planes Monetarios Internacionales," *El Trimestre Económico* 11: 42 (1944), 185-186.

111 Major publications include *Towards a Global Strategy of Development* (New York: UN, 1958); "Commercial Policy in the Underdeveloped Countries," *The American Economic Review* 49: 2, *Papers and Proceedings of the Seventy-first Annual Meeting of the American Economic Association* (May 1959): 251-273; *Towards a Dynamic Development Policy for Latin America* (New York: UN, 1963); *Towards a New Trade Policy for Development* (New York: UNCTAD, 1964). For an in-depth study on the link between Prebisch's personal beliefs and his scholarship, see Edgar Dosman, *The Life and Times of Raul Prebisch, 1901-1986* (Toronto: McGill – Queens University Press, 2008).

112 For the terms' originality, see Francis G. Olano, "Views of Economic Development," *World Politics* 6: 3 (Apr. 1954): 413-420. The use of "center" and "periphery" grew with the field of development economics in the 1950s. See: S. Herbert Frankel, *The Economic Impact on Underdeveloped Societies* (Cambridge, Mass.: Harvard University Press, 1953); Ragnar Nurske, *Problems of Capital Formation in Underdeveloped Countries* (New York: Oxford University Press, 1953).

113 Edgar Dosman, "Markets and the State in the Evolution of the 'Prebisch Manifeso,'" *CEPAL Review* 75 (December 2001): 86-101; Adolfo Gurrieri, "The Ideas of the Young Prebisch," *CEPAL Review* 75 (December 2001): 67-80.

The example may have been narrowly national, but mimeographs of Prebisch's analysis were translated into English and French, reprinted in journals, and distributed to the governments of new nations by the UN Department of Economic Affairs.[114]

Leaders across Prebisch's periphery were receptive to his analysis, which was broad enough to cover specific terms of trade for England between 1873 and 1938. The application of the doctrine of unequal exchange also made sense for other areas of the world. In the expanded analysis, the American, French, Dutch, Belgian, and Japanese empires had joined the British in concentrating most of the resources of the less-developed world in non-local hands. The argument would become the economic basis for calls against "neo-colonialism" by the end of the decade.[115] A new subaltern elite—

[114] Prashad, *The Darker Nations*, 62; UN Doc E/CN.12/89, May 14, 1949, reprinted as Raúl Prebisch, *The Economic Development of Latin America and its Principal Problems* (Lake Success: United Nations Dept. of Economic Affairs, 1950).

[115] On the broad applicability of the argument, see Joseph L. Love, "Raúl Prebisch and the Origins of the Doctrine of Unequal Exchange," *Latin American Research Review* 15: 3 (1980): 45-72; Prabirjit Sarkar, "The North-South Terms of Trade Debate: A Re-examination," *Progress in Development Studies* 1 (2001): 309-327; Johan Galtung, "A Structural Theory of Imperialism," *Journal of Peace Research* 8: 2 (1971): 81-117. For its movement within Latin America, see Robert A. Packenham, *The Dependency Movement: Scholarship and Politics in Development Studies* (Cambridge, Mass.: Harvard University Press, 1998), 16-19; W. Michael Weiss, "The Twilight of Pan-Americanism: The Alliance for Progress, Neo-Colonialism, and Non-Alignment in Brazil, 1961–1964," *The International History Review* 23: 2 (2001): 322-344. The terms "neo-colonialism" and then "neocolonialism," seems to have found common usage by Third World and Soviet intellectuals after the Bandung conference as "the main prop of the crumbling colonial system of imperialism." The Indonesian ambassador used it to describe the purpose of American aid as early as 1951. Diplomat Arthur Dean warned political scientists in 1954, "We must work out an economic policy toward this part of the world which is not based on 'neocolonialism' but which is unbiased and free from any colonial motive or interest so we can woo them away from believing that Communism is an attractive theory." By the mid-1960s, neo-colonialism became a common theme in communist and Third World international politics. See For the development of the term, see Kenneth J. Twitchett, "Colonialism: An Attempt at Understanding Imperial, Colonial, and Neo-Colonial Relationships," *Political Studies* 13: 3 (October 1965): 300-323; Kwame Nkrumah, *Neo-colonialism: The Last Stage of Capitalism* (London: Heinemann, 1965); Jean-Paul Sarte, *Colonialism and Neocolonialism* (1964); Ali A. Mazrui, "Africa and the Egyptian's Four Circles," *African Affairs* 63: 251 (Apr., 1964): 129-141; Nkrumah, "Why 'the Spark'" (Accra: The Spark Publications, 1964): 1-9; F. Alferov, "The Oil Consortium: Neo-Colonialism in Action," *International Affairs* 6: 8 (1962): 63-67; F. Triska and Howard E. Koch, "Asian-African Coalition and International Organization: Third Force or Collective Impotence?" *The Review of Politics* 21 (1959): 417-455; V. Fuzeyev, "Bandung—a Milestone," *International Affairs* 4: 4, (1958): 86-88, quote from 86; Frank N. Trager, "Burma's Foreign Policy, 1948-56: Neutralism, Third Force, and Rice," *The Journal of Asian Studies* 16: 1 (Nov. 1956): 89-102; Arthur H. Dean, "The Role of the United States in the Far East,"

the leaders of the nations of the Third World, many newly-independent—began to characterize themselves in terms of their peripheral economic position.

Prebisch himself implied the broader nature of the Latin American experience through his explicit contradiction of the classical theory of comparative advantage. Taking a position against what he considered as the "false universality" shared by Smith, Ricardo, Mill, Marshall, Keynes, and others, Prebisch identified international terms of trade favoring technological advancement and industrial productivity of the nations of the center.[116] The terms of trade thus forged a potent legacy in which the value of raw materials progressively declined as productivity rose.[117] The spatial distinction between the center and the periphery and the statistical analysis of the prices of raw materials and finished goods expressed this dichotomy forcefully.

The economic argument had obvious political implications. A plurality of the world's nations, colonies and territories, and aspiring nations had been left with economies that relied on the sale of raw materials and the import of finished goods. The structural imbalance led formerly colonial and underdeveloped countries to export their raw materials at a relatively low price. Thus, the industrial world's wealth had less to do with the benefits derived from the expansion of commerce than with the inequitable structure of that commerce. In this way, Prebisch designated the wealth of the rich countries and the poverty of the poor areas as corollaries to imperialism. Prebisch labeled the industrial nations with the double-entendre *los grandes paises*, implying power as well as size. The message was clear. If the collective benefits of trade

---

Annals of the American Academy of Political and Social Science 294 (July 1954): 48-55; Justus M. Van Der Kroef, "Indonesia: Independent in the Cold War," *International Journal* 7: 4 (Autumn 1952): 283-292.

116 Prebisch, *The Economic Development of Latin America and its Principal Problems*, 11.

117 For the ongoing economic debate, see Robert E. Baldwin, "Secular Movements in the Terms of Trade *The American Economic Review* 45: 2 (May,1955), 259-269; Andrew Powell, "Commodity and Developing Country Terms of Trade: What Does the Long Run Show?" *The Economic Journal* 101: 409 (Nov. 1991): 1485-1496.

gradually reached throughout the industrial world, they did not "extend into the periphery of the world economy."[118] The center continued to dominate international economic relations even if its empires had begun to dissolve.

The emphasis on continuity in the international economy helped give birth to a new type of international politics. What mattered most after political liberation from empire was economic liberation from imperialistic structures. Prebisch believed that his argument had moral implications. "The benefits of the development of productivity have not arrived to the periphery at a comparable level," he wrote trenchantly. "From there come the differences, so accentuated, in the quality of life of the masses of those countries and these, and the notorious discrepancy between their respective forces of capitalization."[119] The terms of trade question was more than an economic or even political issue; it was an ethical appeal to reconsider an international economy that had been unfairly tilted in favor of developed nations by dint of the imperial past.

The moral invocation had another consequence, less recognized but no less significant. Prebisch stressed the shared economic condition of the peripheral areas, which otherwise had disparate political and territorial experiences. The periphery included colonies, former colonies, and "poor" nations who had long been nominally independent. Thus, the question of economic liberation became a more inclusive category, broadening the definition of decolonization.

---

[118]Prebisch, "El Desarrollo Económico," 349.The idea of an inevitable "favorable interest of providence in international trade" has been traced by one economic historian to the fourth century A.D. See Jacob Viner, *The Role of Providence in the Social Order* (Princeton: Princeton University Press, 1972), 36ff.

[119]*Ibid*., This forceful tone has the earmark of being based not so much on Prebisch's economic analysis, as on his own intensive personal experience. There is no doubt that Prebisch, raised in the shadow of former Spanish mines, was motivated by his central political principles to condemn the negative economic effects that resulted from imperialistic exchanges. This activist bent was a principal concern of his broader political thought.

Prebisch's analysis was a description not only of a structural deficiency but also of ways to correct that deficiency. The conclusion of Prebisch's critique thus contained a broad policy recommendation. To become "modern," the poor nations needed to move from the production of raw materials to the production of industrial goods.[120] To do so, an infusion of capital was necessary. Prebisch proposed a corrective type of nationalist economics to draw in capital—the employment of national sovereignty to gain control over the production, marketing, and pricing of natural resources. "Permanent sovereignty over natural resources" became a fundamental platform for many Third World groups in a new international landscape marked by decolonization. Different people would amend the idea in future years, but its core assumption remained the same. Prebisch and other development economists suggested various strategies to employ permanent sovereignty for the sake of national development, all based in the basic premise of natural resource control. Policies included the creation of commodity cartels to set production levels and prices, as well as tariff and subsidy mechanisms and the creation of regional development agreements.

The policy prescriptions were in conflict with the major development trend of the era, modernization theory. To be sure, Third World development economists agreed with the basic premise of the mainstream view in the United States and Western Europe. Capital investment was necessary for the transfer of technological prowess, increased economic production, and greater social benefits. But Third World economists disagreed with modernization theorists on a principle question. Where would this money come from? Whereas modernization theorists emphasized foreign capital in the form of aid and investment, many in the developing world saw this as risking a reprisal of imperialism.

120Prebisch, *El Desarrollo Económico*, 350.

Rather than rely unduly on foreign sources, Prebisch and other development economists argued for nationalist policies to create indigenous capital. The amount of money required for national development, moreover, needed to be greater than the amount modernization theorists predicted was necessary for "takeoff."[121]

The disagreement about the source and amount of capital was steeped in the fact that Third World thinking originated from the experience and the interest of the global periphery. The terms of trade thesis became bound up with attempts to use the international political equality inherent in decolonization and national self-determination to forge economic equality. The dispute between Third World development economists and modernization theorists was more than a debate over capital. It was an argument about the shape of the post-colonial political economy. The challenge confronting the Third World, Prebisch and others held, was intractable without acknowledging the vestigial impact of colonial rule and imperial economic networks.[122] Modernization theory, as scholars have suggested, placed the onus for development elsewhere, on changing the "backwards cultures" of "traditional societies." Modernization theorists banished the histories of colonialism and unequal exchange, which Third World economists found central, from their economic analysis.

In an era characterized by rapid political change, different ideas about the shape of the postwar economy battled for primacy, and economists often coopted each others'

---

[121] On this point, see Toye and Toye, *The UN and the Global Political Economy*, 163-183. From this perspective, the Marshall Plan again came under critique. Whereas Europe received $13 billion from the United States between 1947 and 1953, the Third World received nothing close to that amount.

[122] Swedish economist Gunnar Myrdal wrote that many Third World leaders channeled their desires for "political, social and economic reform" into a call for economic development. These leaders, Myrdal noted, held planning as "*the intellectual matrix of the entire modernization ideology.*" As historian David Engerman notes, debates over strategies for economic development quickly became entangled in Cold War politics, as Soviet leaders used the popularity of socialism as a political lever. The inclusion of Third World strategies in the broader history of development will help us understand these entanglements. Engerman, *op. cit.*, 32, quoting Gunnar Myrdal, *Asian Drama: An Inquiry into the Poverty of Nations*, vol. 2 (New York, 1968), 711. Emphasis in original.

ideas.[123] Arguments about the injurious effects of the imperial imprint and the beneficial effect of permanent sovereignty quickly intensified. Not all agreed about either the imprint or the effect. Influential academic interlocutors opposed Prebisch's terms of trade thesis. Among professional economists, Jacob Viner, Simon Kuznets, and Gottfried Haberlerl questioned the empirical validity of Prebisch's work. Viner even dismissed Prebisch's "manifesto" as a set of "malignant fantasies, distorted historical conjecture and simplistic hypotheses."[124]

Others took a further stape and conflated Prebisch's critique with Marxism. Similar ideas to those posed by Prebisch, of course, had long been present in Marxist thought on finance capitalism.[125] There exists an affinity between Prebisch's emphasis on unequal exchange and the popular Marxism-Leninism of the period, especially the new emphasis on neo-colonialism. Both shared the premise that structural imbalances

---

123 Sylvia Maxfield and James H. Nolt, "Protectionism and the Internationalization of Capital: U.S. Sponsorship of Import Substitution Industrialization in the Philippines, Turkey and Argentina," *International Studies Quarterly* 34: 1 (Mar. 1990): 49-81. Thanks to Nick Cullather for this citation.

124 Dosman, "Markets and the State," 99. See: Haberler, "Integration and Growth of the World Economy in Historical Perspective," *The American Economic Review* 54: 2, Part 1 (Mar. 1964), 1-22; Viner, *International Trade and Economic Development* (London: Clarendon, 1953); B.A. Rogge, "Economic Development in Latin America: The Prebisch Thesis," *Inter-American Economic Affairs* (1956); Kuznets, *Economic Growth of Nations: Total Output and Production Structure* (Cambridge, Mass.: Harvard University Press, 1971); H. Myint, "The 'Classical Theory' of International Trade and the Underdeveloped Countries," *The Economic Journal* 68: 270 (June 1958): 317-337. This critical reaction to Prebisch made several valid points. Significantly, both Kuznets and Viner argued that one needed to distinguish between the types of commodities Prebisch discussed. Striking a posture of clinical detachment, Kuznets in particular found Prebisch's broader conclusion on terms of trade inconsistent with other data sets, as well as the same ones Prebisch himself used. More broadly, with fine psychological acumen, he cautioned that the fact that these terms of trade existed in some cases did not necessarily demonstrate that the imbalances were chronic, much less widespread. The question of Prebisch's statistical analysis did not always accompany the global dissemination of his ideas, and when it did, it generally played a small part. See Werner Baer, "The Economics of Prebisch and ECLA," *Economic Development and Cultural Change* 10: 2, Part 1 (Jan., 1962): 169-182.

125 Bernard Goodman, "The Political Economy of Private International Investment," *Economic Development and Cultural Change* 5: 3 (April 1957): 263-276; Gerald M. Meier, "International Trade and International Inequality," *Oxford Economic Papers* 10: 3 (1958): 277-289; Wilfred Beckerman, "The Economist as a Modern Missionary," *The Economic Journal* 66: 261 (Mar. 1956): 108-115.

characterized the international political economy. Drawing too close a comparison, though, would attribute ideas to Prebisch that he did not hold.[126]

That the terms of trade thesis engendered a counter-polemic alludes to its importance. The reception of Prebisch's ideas, though, was generally positive; the Rockefeller Foundation even gave some funding to Economic Commission for Latin America, notably supporting the research of the Brazilian economist Celso Furtado.[127] The terms of trade thesis pushed against an open door in other ways. Many western observers agreed with the basic proposition linking the economic malaise of the Third World to vestiges of imperialism. Historians joined other scholars in finding no difficulty accepting the inherited imperial past and in fitting the avowedly anti-colonial United States for imperial garb. A new theory of "informal imperialism," supported by a generation of revisionist scholars writing American diplomatic history in the 1950s and beyond, added legitimacy to this position, as did the creation of the new subfield of "economic development."[128] The terms of trade thesis found support among a number of

---

[126] The solutions suggested by Prebisch were very different from his Marxist-Leninist contemporaries. Unlike his Marxist-Leninist contemporaries, most notably Paul Baran, Prebisch did not believe in the demise of capitalism and sought solutions to bring what he believed were the beneficial social effects of industrial capitalism into the periphery. In this sense, the possibility of a mutual gain was central to the doctrine of unequal trade. This particular idea merits closer examination, because in the mid-1970s, important policymakers in the U.S. government would join oil executives in conflating Third Worldist economic doctrines with state socialism, employing Cold War language and stereotypes in their joint attack on OPEC.

[127] Furtado, "The External Disequilibrium in the Underdeveloped Countries," *Indian Journal of Economics* 38 (1958): 403-410; Furtado, "Capital Formation and Economic Development," in *The Economics of Underdevelopment*, ed. A.N. Agarwala and S. P. Singh (Oxford: Oxford University Press, 1958).

[128] John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *The Economic History Review* 6 (1953); Wolfgang Mommsen, *Theories of Imperialism* (New York: Random House, 1980), 86-99; Ragnar Nurkse, "Some International Aspects of the Problem of Economic Development," *The American Economic Review* 42: 2, Papers and Proceedings of the Sixty-fourth Annual Meeting of the American Economic Association (May 1952): 571-583.

development economists, including Hans Singer, Hollis Chenery, Ragnar Nurske, and Gunnar Myrdal.[129]

From this perspective, American policy embedded the colonial character of the international political economy, rather than eroding it. The point here is not to note theoretical and empirical flaws or insights of Prebisch's scheme, but to demonstrate that his ideas reflected beliefs held by many. Whether endorsed or opposed, the terms of trade thesis caused considerable intellectual excitement. The interest in the terms of trade theory was also intrinsically political, as events in Iran would soon demonstrate.

IRAN AND THE UNITED NATIONS

Levy, Loftus, and Beckett determined the shape of the international economy and Prebisch critiqued it. For the United States and its industrialized allies, the Cold War had begun. For the Third World, economic inequality marred the advent of decolonization. The U.S. government had employed a corporatist strategy to separate these political strands from the economic imperative of oil production. The terms of trade thesis sought to tie economics and politics back together.

Nowhere were they already more intertwined than in Iran. Upon the Soviet-British occupation in 1942, Josef Stalin and Winston Churchill signed a treaty pledging to withdraw all occupying armies at an unspecified time after the war. When the United States joined the occupation, Franklin Roosevelt promised American forces would depart as well. After a series of conferences in 1945, all three powers agreed to leave Iran exactly six months after the Japanese surrender. By the deadline on March 2, 1946,

---

[129] The last of these argued in 1957 that "'freer trade' would...perpetuate stagnation in the underdeveloped regions." See Myrdal, *An International Economy: Problems and Prospects* (New York: Harper, 1956), 2; Hans Singer, "The Terms of Trade and Economic Development: Comment," *The Review of Economics and Statistics* 40: 1 (Feb. 1958): 85-90; Charles Kindleberger, "The Terms of Trade and Economic Development," *Review of Economics and Statistics* (1958): 72-85; Hollis B. Chenery, "Comparative Advantage and Development Policy," *The American Economic Review* 51: 1 (1961): 18-51.

British and American troops had departed. Citing threats to Soviet security, Stalin declared that the Red Army would remain in the northern province of Azerbaijan. Members of the communist Tudeh Party proclaimed Azerbaijan a People's Republic, Moscow began to arm local militias, and the Army announced it would prevent Iranian soldiers from entering the province. The lengthened occupation confirmed suspicions in many American quarters that the Soviet Union had designs on Iranian oil.[130]

Crisis was averted when the Iranian prime minister, Ahmad Qavam, traveled to Moscow and negotiated a withdrawal. Still, Soviet actions signified that Iran and its oil production, controlled by the British-owned Anglo-Iranian Oil Company, had become implanted in the budding Cold War rivalry. Half a decade later, a longstanding nationalist opponent of the company, Muhammad Mossadegh, became prime minister. Mossadegh pushed a law through the Iranian parliament, the Majlis, nationalizing Anglo-Iranian's assets in April 1951. The company contested the validity of the action and continued its operations in oil fields and at the Abadan refinery. After the Iranian government forced Anglo-Iranian workers from the fields, the British Foreign Office, the American State Department, and the multinational oil companies blocked Iranian oil products from international markets. With the help of the Central Intelligence Agency, the Mossadegh government was toppled in 1953.[131]

---

[130] Bill, *The Eagle and the Lion*, 28-41; Wm. Roger Louis, *The British Empire in the Middle East, 1945-1951: Arab Nationalism, The United States, and Postwar Imperialism* (New York: Oxford University Press, 1984), 54-73.

[131] For an introduction, see James H. Bamberg, *The History of the British Petroleum Company: Volume II, The Anglo-Iranian Years, 1928-1954* (Cambridge: Cambridge University Press, 1994), 283-451; Mary Anne Heiss, *Empire and Nationhood: The United States, Great Britain, and Iranian Oil* (New York: Columbia University Press, 1997); James F. Goode, *The United States and Iran: In the Shadow of Mossadegh* (New York: Palgrave Macmillan, 1997), 1-54; Malcolm Byrne and Mark J. Gasiorowski, eds. *Mohammad Mosaddeq and the 1953 Coup in Iran* (Syracuse: Syracuse University Press, 2004); For a perspective emphasizing Anglo-American diplomacy, see Steve Marsh, "Anglo-American Crude Diplomacy: Multinational Oil and the Iranian Oil Crisis, 1951–53," *Contemporary British History* 21: 1 (2007): 25-53; For a longer view, see Neveen Abdelrehim, Josephine Maltby, and Steven Toms, "Corporate Social Responsibility and Corporate Control: The Anglo-Iranian Oil Company, 1933–1951,"

The central players in this event—executives of the Anglo-Iranian Oil Company and top officials from Iran, the United States, and the United Kingdom—engaged in an early round of what became a perpetual combat over the practical limits of permanent sovereignty. Iran's nationalization ended with the replacement of Mossadegh and the retrenchment of the postwar petroleum order, but the idea of permanent sovereignty gained a central place in broader debates over the international political economy. The prevalence of the anti-imperial economic narrative revealed a range of international groups in support of Iran.

As the Anglo-Iranian question moved to the forefront of international concern, the formulation of permanent sovereignty became influential in Third World political culture. While no evidence exists that Mossadegh read Prebisch's paper, his decision to nationalize Iranian oil was couched in similar language and buoyed Prebisch's thesis. When Mossadegh brought his case to the UN Security Council, the notion of permanent sovereignty ignited a larger and more far-reaching discussion about what the UN Economic and Social Council termed "economic self-determination." The Iranian crisis led directly to a UN declaration of "permanent sovereignty over natural resources" as a fundamental right of states in the international community.

Permanent sovereignty became part of a sensational international debate. As this occurred, the economic corrective of permanent sovereignty assumed a strident ideological tone. More than that, it became a focal point for Third World demands, a political tool with multiple purposes in the post-colonial world. Permanent sovereignty cultivated Third World solidarity and encouraged national and international projects to redress past and current economic injustices, perceived and real.

Enterprise and Society 12: 4 (2011): 824-862; Michael E. Dobe, "A Long Slow Tutelage in Western Ways of Work: Industrial Education and the Containment of Nationalism in Anglo-Iranian and Aramco, 1928-1963" (Ph.D., Rutgers University, 2008).

Mossadegh held a deep-seated enmity toward the Anglo-Iranian Oil Company.[132] As a member of the Majlis during the 1946 crisis, the 64-year-old had argued against increased Soviet and American petroleum exploration.[133] The same year, he supported oil workers after violent protests broke out at Anglo-Iranian's Abadan refinery. In 1947, he was among the legislators who pushed through a law forbidding the granting of further concessions to foreign companies and directing the government to renegotiate Anglo-Iranian's 1933 concession. In 1949, Anglo-Iranian offered Iran a contract known as the Supplemental Agreement. The contract guaranteed that annual royalty payments would not drop below £4 million, reduced the area in which Anglo-Iranian would drill, and pledged to train Iranians for administrative positions. All this was in return for an extension of the concession for another 60 years. Iranian officials invited Anglo-Iranian to negotiate the contract, but were imperiously told the offer was final. The Shah of Iran had recently survived an assassination attempt and understood that despite rising nationalist feeling he needed to accept the British offer to maintain revenues. His cabinet did so and then sent it on to the Majlis.[134]

Nationalist members of the Majlis, including Mossadegh, denounced the Supplemental Agreement. Instead, they demanded that Anglo-Iranian begin splitting its profits with Iran on a fifty-fifty basis, as American oil companies did in Saudi Arabia and

---

132 On Mossadegh, see Stephen Kinzer, *All the Shah's Men: An American Coup and the Roots of Middle East Terror* (New York: Wiley, 2003), 53-61; Homi Katouzian, *Mussadiq and the Struggle for Power in Iran* (London: I.B. Tauris, 1999), 1-112; Manucher Farmanfarmaian and Roxanne Farmanfarmaian, *Blood and Oil: A Prince's Memoir of Iran, from the Shah to the Ayatollah* (New York: Random House, 2005), 234-265. Fakhreddin Azimi, "The Reconciliation of Politics and Ethics, Nationalism and Democracy: An Overview of the Political Career of Dr. Mohammad Mossadegh," in James A. Bill and Wm. Roger Louis, eds., *Mossadegh, Iranian Nationalism, and Oil* (London: I. B. Tauris, 1988).

133 Bill, *The Eagle and the Lion*, 28-29; Simon Davis, "'A Projected New Trusteeship'? American Internationalism, British Imperialism, and the Reconstruction of Iran, 1938–1947," *Diplomacy & Statecraft* 17: 1 (2006): 31-72.

134Heiss, *Empire and Nationhood*, 1-10; Sampson, *Seven Sisters,* 108-111; 149-153.

Venezuela. The legislative term ended before a vote could be taken.[135] Accusations of royal bribery and fraud tainted the following elections. Mossadegh created a new political party, the National Front, and successfully staged a sit-in forcing the Shah to call new elections. Mossadegh was elected prime minister. He began to work to prevent parliamentary approval of the Supplemental Agreement and called for the establishment of an oil committee. The Majlis then elected him as the committee's chair. The director of Iran's petroleum institute, Manucher Farmanfarmaian, described how Mossadegh dominated the committee meetings: "Mossadegh did not care about dollars and cents or numbers of barrels per day. He saw the basic issue as one of national sovereignty. Iran's sovereignty was being undercut by a company that sacrificed Iranian lives for British interests."[136]

Mossadegh's feelings on sovereignty were broadly shared within Iran. Anglo-Iranian's highest-ranking Iranian employee, Mostafa Fateh, wrote a 23-page letter to a member of the company's board of directors. The company needed to recognize that "the awakening nationalism and political consciousness of the people of Asia" necessitated

---

[135]Katouzian, *Mussadiq*, 67-68; Steven A. Schneider, *The Oil Price Revolution* (Baltimore: Johns Hopkins University Press, 1983), 26-31. Although the Iranian government, under the new leadership of Mossadegh, were the first to push the fifty-fifty profit split, British Petroleum refused. Soon after Aramco officials moved forward in Saudi Arabia, aided by the promise of a tax break in the United States and fearing nationalization, a position that Mossadegh would soon begin to agitate for in Iran. See, Vitalis, *America's Kingdom*, p. 282, note 20. Vitalis makes the point that Douglas Little confuses the chronology of the fifty-fifty agreements, placing the Iranian narrative after the Saudi one. Though correct, this point is of little consequence to Little's larger argument. See Little, *American Orientalism*, 56. It should be noted that the "fifty-fifty question" fits well into the discussion of permanent sovereignty's early promise and difficulties, as it began with the two questions pointing towards an early influence for permanent sovereignty: the success of the reformist *Acción Democrática* party in Venezuela and the extent to which independent oil companies would go to secure a foothold in the Middle East. In April 1951, Exxon and Mobil explained the fifty-fifty rationale to their partners in the Iraq Petroleum Company: "It is attractive alike to governments and to the public. Its central idea can be easily understood by the man in the street and it makes an immediate appeal as something essentially reasonable and fair." The companies benefitted from a series of foreign-tax credits in the United States and the creation of "posted prices" for crude oil transferred from affiliate to affiliate as the primary means of calculating the producing countries' entitlement.

[136]Farmanfarmaian, *Blood & Oil*, 241-242.

compromise.[137] At a rally for Mossadegh's National Front party, the Ayatollah Kashani read a *fatwa* condemning the Shah's government for selling Iran's "birthright" to infidels. Three months later, the oil committee recommended that the Majlis nationalize Anglo-Iranian. Soon after, the British government sent warships to the coast off the Abadan refinery, where a series of riots had left six Iranians and three British dead.[138] In April, the Majlis unanimously approved legislation to implement the nationalization, including provisions to audit of the company and weigh the claims for compensation. In May, the Shah signed the measure into law.[139]

Mossadegh seemed to have reached his goal of increasing Iran's control over its oil industry. The British accused the Iranian government of stealing their property and demanded that the International Court of Justice arbitrate the dispute. Mossadegh rejected both the accusation and the demand. He held that the court did not have jurisdiction over a domestic issue.[140] Anglo-Iranian then sent a negotiating team to Tehran with a proposal that recognized the principle of nationalization and agreed to market oil on a fifty-fifty basis. Mossadegh rejected the proposal.[141] Anglo-Iranian—supported by the British and American governments, as well as other multinational oil

---

137 Elm, *Oil, Power, and Principle: The Iranian Nationalization and Its Aftermath* (Syracuse: Syracuse University Press, 1994), 75-76; Mark J. Gasiorowski, "The 1953 Coup D'etat in Iran," *International Journal of Middle East Studies* 19: 3 (Aug. 1987): 262-263.

138 Ian Speller, "A Splutter of Musketry? The British Military Response to the Anglo-Iranian Oil Dispute, 1951," *Contemporary British History* 17: 1 (2003): 39-66.

139 Kinzer, *All the Shah's Men*, 77-91.

140 Charles G. Fenwick, "The Order of the International Court of Justice in the Anglo-Iranian Oil Company Case," *The American Journal of International Law* 45: 4 (Oct. 1951): 723-727; Alan W. Ford, *The Anglo-Iranian Oil Dispute of 1951-1952: A Study of the Role of Law in the Relations of States* (Berkley: University of California Press, 1955): 76-94.

141 Gasiorowski, "The 1953 Coup D'etat in Iran," 262-267; Kamrouz Pirouz has effectively argued that President Truman and Prime Minister Churchill brought two proposals to Mossadegh, both of which included a role for Anglo-Iranian, both of which he rejected. "The Truman-Churchill Proposal to Resolve the Iran-U.K. Oil Nationalization Dispute," *Comparative Studies of South Asia, Africa and the Middle East* 28: 3 (2008): 487-494.

companies—announced that it would sue any tankers carrying Iranian oil. The legal threat was remarkably effective and forced Iranian oil production down by 90 percent.[142]

It was clear that the boycott would devastate the Iranian economy. The multinational oil companies increased production in Iraq, Kuwait, and Saudi Arabia to offset Anglo-Iranian's loss. The British pressed their advantage. In June 1951, the British ambassador to the United Nations, Gladwyn Jebb, asserted that Iranian oil covered under the concession was "clearly the legal property of the Anglo-Iranian Oil Company." The general manager at the Abadan refinery, Eric Drake, refused to open company books for Mehdi Barzagan, the managing director of the new National Iranian Oil Company. Barzagan then threatened to have Drake arrested for sabotage. Drake took the company accounts and crossed the Shatt-al-Arab to an office in Basra, Iraq. From there he continued to refuse the demand for receipts.[143]

The British referred the dispute to the UN Security Council in September 1951. Mossadegh himself travelled to New York to present the Iranian case.[144] At the Security Council meeting, Mossadegh explained the importance of the nationalization in the broader terms of decolonization and self-determination:

> It is gratifying to see that the European powers have respected the legitimate aspiration of the people of India, Pakistan, Indonesia, and others who had struggled for the right to enter the family of nations on terms of freedom and complete equality.... Iran demands just that right. It expects this exalted international tribunal and the great Powers to help it, too, to recover its economic

142Schneider, *The Oil Price Revolution*, 32.

143In September, British Prime Minister Clement Attlee notified U.S. President Harry Truman that the British planned to invade the Abadan refinery. After Truman stated his opposition, the British abandoned his idea. Recently, see: Peter J. Beck, "The Lessons of Abadan and Suez for British Foreign Policymakers in the 1960s," *The Historical Journal* 49: 2 (2006): 525-547; Ervand Abrahamian, "The 1953 Coup in Iran, *Science and Society* 65: 2 (2001): 182-215; Francis J. Gavin, "Politics, Power, and U.S. Policy in Iran," *Journal of Cold War Studies* 1: 1 (Winter 2001): 56-89.

144Gasiorowski, "The 1953 Coup D'etat in Iran," 264.

> independence, to achieve the social prosperity of its people, and thus to affirm its political independence.[145]

For political independence to be real, economic independence needed to follow. On October 22, Mossadegh left New York for Washington. His train stopped in Philadelphia, where he lectured a 200-person crowd in Independence Square on the similarities between the Iranian nationalization and the idealism that led to the American Revolution.[146]

Mossadegh's negotiating position was similar to his public stance, especially in terms of the tight connection he drew between political and economic independence. Mossadegh held over 80 hours of talks on his U.S. trip with George McGhee, the former Oxford student and Texas oilman who was the State Department's assistant secretary for Near East Affairs. McGhee tried to make it clear that the U.S. sought a compromise between the British and Iranian positions. However, the State Department could not accept nationalization because "it would set a dangerous precedent, which would be damaging to all oil concessions of the U.S. and other oil companies around the world." The line of reasoning, steeped in the national security thought of the Cold War and the corporatist structure of the postwar petroleum order, failed to convince the Iranian prime minister to abandon his non-negotiable position on permanent sovereignty.[147]

The problem of Iranian oil was symptomatic of a larger global imbalance for Mossadegh. His position lined up neatly with Prebisch's argument about terms of trade and the national right to employ permanent sovereignty. As a crisis of immense

---

145Rouholla K. Ramazani, *Iran's Foreign Policy: A Study of Foreign Policy in Modernizing Nations* (Charlottesville, University of Virginia Press, 1975), 215.
146Kamrouz Pirouz, "Iran's Oil Nationalization: Musaddiq at the United Nations and His Negotiations with George McGhee," *Comparative Studies of South Asia, Africa and the Middle East* 21 (2001): 114.
147Pirouz, "Iran's Oil Nationalization," 112-116, quote on 114.

proportions, the nationalization of Anglo-Iranian had the effect of linking these ideas.[148] Anti-colonial leaders supported Mossadegh's plight. In the Security Council, Yugoslavia and India commiserated with the Iranian argument that the conflict between the company and the government should fall under domestic jurisdiction.[149] At the same time, Mossadegh and his international supporters bestowed a moral and curative connotation on permanent sovereignty. The economic dangers of nationalization were secondary to the establishment of political rights. Thus, like Prebisch, Mossadegh abandoned the broader separation of economics and politics that stood at the center of postwar American diplomacy.

The question of the Iranian nationalization was an international one. The U.S. State Department expressed concern that the nationalization created a dangerous precedent threatening concessions in other oil-producing countries. In 1951, while Mossadegh was in New York at the Security Council, reports began to emerge from Cairo that a bill soon to be introduced in the Egyptian parliament would call for the nationalization of the Suez Canal Company.[150] "[T]he Iranian move for the nationalization of oil induced extremists in Egypt to demand, in like manner, not only the immediate abrogation of the Treaty but also the nationalization of the Suez Canal," the professor of Middle East Studies at Johns Hopkins, Majid Khadduri, wrote in 1951.[151]

---

[148] For an interesting counter-narrative during the period, see: Nathan J. Citino, "Internationalist Oilmen, the Middle East, and the Remaking of American Liberalism, 1945–1953," *Business History Review* 84: 2 (2010): 227-251.
[149]Ford, *The Anglo-Iranian Oil Dispute of 1951-1952*, 126.
[150] H.W. Brands, "The Cairo-Tehran Connection in Anglo-American Rivalry in the Middle East, 1951–1953," *The International History Review* 11: 3 (1989): 434-456; B. H. Liddell Hart, "The Defense of the Middle East," *Harper's Magazine* (1953): 63-71.
[151] Majid Khadduri "The Anglo-Egyptian Controversy," *Proceedings of the Academy of Political Science* 24: 4 (Jan. 1952): 96.

In 1952, the UN General Assembly passed a resolution declaring that "the right of peoples free to use and exploit their national wealth and resources is inherent in their sovereignty."[152] The timing of the declaration meant to demonstrate the international legitimacy of the Iranian nationalization. The resolution began with a joint proposal by Iran and Bolivia, where the revolutionary government had just nationalized mining industries, in the Economic and Financial Committee of the General Assembly.[153] "Intended to promote nationalization of resources in less developed countries," according to one international lawyer, the proposal moved "contrary to the views of the United States and other countries that sought to protect the rights of the private investor." Over American opposition, 31 states supported the resolution. The president of the New York Stock Exchange lamented that the UN had "serve[d] notice on investors everywhere that rights of long standing will no longer be protected." Likewise, the Guarantee Trust Company responded that the resolution "deprecates any action by a member state to uphold the rights of its nationals against the confiscation of investments made in good faith."[154]

---

152 General Assembly Res. 626 (VII), December 21, 1952. See James N. Hyde, "Permanent Sovereignty over Natural Wealth and Resources," *American Journal of International Law* 50 (1956): 854-867; Edward D. Re, "Nationalization and the Investment of Capital Abroad," *Georgetown Law Journal* 42 (1953-1954): 44-68; Arthur K. Kuhn, "Nationalization of Foreign-Owned Property in its Impact on International Law," *American Journal of International Law* 45: 4 (1951): 709-712.

153 Although the United States considered approving new long-term contracts for Bolivian tin after the 1952 revolution, Dean Acheson informed the U.S. embassy in September 1952 of the State Department's concern that this might be interpreted as "green light to confiscatory nationalization [which] would have [a] bad effect in other countries." See Stephen Zunes, "The United States and Bolivia: The Taming of a Revolution, 1952-1957," *Latin American Perspectives* 28: 5, *Free Trade and Resistance* (Sep. 2001): 33-49.

154 Re, "Nationalization of Investment," 49-52. An initial draft held that "each country's right to nationalize and freely exploit its national wealth was an essential factor of economic independence." The final resolution held that UN members must "maintain proper respect for the right of each country freely to use and exploit is natural wealth and resources as an indispensable factor in progress and economic development."

The General Assembly resolution explicitly stated that "the right of peoples freely to use and exploit their natural wealth and resources is inherent in their sovereignty."[155] UN delegates reformulated the meaning of national sovereignty to include permanent ownership of natural resources, unambiguously linking postcolonial self-determination with national resource control. Concurrently, the principle of permanent sovereignty became identified with human rights discussions in the UN Economic and Social Council. A corporate lawyer who observed the proceedings described the outcome of the debate in pointed terms. "Into this discussion...the capital-importing countries were able to inject the principle of permanent sovereignty over natural wealth," he wrote. "In the jargon of the Human Rights Commission, this principle came to be known as economic self-determination."[156]

Although the Eisenhower administration made sounds of support for Iranian economic self-determiniation, the United States ultimately opposed both the nationalization and the broader principle behind it. In February 1953, Eisenhower used his State of the Union Message to declare that it was official U.S. policy "to encourage the flow of private American investment abroad." He added that this involved, "the encouragement of a hospitable climate for such investment."[157] Following discussions with the UK Foreign Office soon after, the State Department wrote that "the essential elements of a workable and productive economic system should include....the creation of conditions, both by creditor and by debtor countries, which will foster international investment and the sound development of the resources of the free world."[158]

---

[155]General Assembly Press Release 939, UN Department of Public Information, December 1, 1952, 8-12.
[156]Hyde, "Permanent Sovereignty*,"* 855.
[157] Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union," February 2, 1953, *The American Presidency Project*, eds. Gerhard Peters and John T. Woolley.
[158]"U.S. and U.K. Discuss Economic Problems, Political Developments," *Department of State Bulletin* 28: 716 (1953): 395.

The question of the Iranian nationalization ultimately was decided in the favor of continuity with the postwar petroleum order. In 1953, the National Security Council produced a paper on Middle Eastern oil. Middle Eastern oil was "crucial to the strength" of European recovery. The United States continued to hope that their corporate arrangement would continue to serve as a buffer between the politics and economics of the postwar petroleum order. American policy was to distance itself from private interests to avoid accusations that "the American system is one of privilege, monopoly, private oppression, and imperialism."[159]

A combination of popular discontent and Anglo-American covert operations overthrew Mossadegh and returned the Shah to power in 1953. Acrimonious negotiations over the future of Iranian oil followed. In the end, the parties created the Iran Consortium, a Western group of firms that controlled the production of oil. If Mossadegh's ouster and the international blacklisting of Iranian oil were not clear enough evidence, the contract between the Consortium and the government of Iran revealed the practical limits of permanent sovereignty. No doubt, Iran received formal title to its oil and a fifty-fifty profit-sharing agreement. But even if the Consortium was "nationalized" in name, the companies retained full rights to manage oil output and price. On the question of sovereignty and legal jurisdiction, nationalization issues would not be adjudicated under Iranian law. Rather, the contract moved arbitration considerations to "a jurisprudence intermediate between public international law and private international law." National law did not have jurisdiction according to the contract, a position directly opposite that put forth by Mossadegh months earlier in the UN.[160]

---

[159] Citino, *From Arab Nationalism to OPEC*, 43.

[160] Abolbashar Farmanfarma, "The Oil Agreement Between Iran and the International Oil Consortium: the Law Controlling," *Texas Law Review* 34: 2 (December, 1955): 259-287. A new arbitration agreement between Saudi Arabia and Aramco in 1955 provided that an Arbitration Tribunal would decide any dispute

Still, many observers understood the potential power of permanent sovereignty. One British official summed up the lesson. The new arrangement made it more difficult to "kick out" western companies, but resource nationalism would gain steam elsewhere. "I do not think the leopard has changed his spots," he wrote. "[The oil companies'] policy must be to make hay while the sun shines!"[161] The principle of permanent sovereignty was now directly involved in the issues of decolonization and national self-determination.

The question of economic liberation also extended to nations that long had been officially decolonized and to commodities other than oil. Six months after the Shah's return to power, the government of Jacobo Arbenz Guzmán in Guatemala invoked the principle of permanent sovereignty as a right when nationalizing the property of another "imperialist aggressor," the United Fruit Company. The invocation of permanent sovereignty, in line with Prebisch's center-periphery definition, helps measure the practical effect of permanent sovereignty in diplomatic affairs.[162] In a note to the government of Guatemala, the Department of State formulated the right to "just

---

"in accordance with the Saudi Arabian law . . . insofar as matters within the jurisdiction of Saudi Arabia are concerned," more vague language to say the least.

161 Quoted in Bamberg, *British Petroleum and Global Oil, 1950-1975: The Challenge of Nationalism* (Cambridge: Cambridge University Press, 2000), 47.

162 Jason M. Colby, *The Business of Empire: United Fruit, Race, and US Expansion in Central America* (Ithaca: Cornell University Press, 2011); Jason Parker, *Brother's Keeper: the United States, Race, and Empire in the British Caribbean, 1937-1962* (New York: Oxford University Press, 2008); Jason Parker, "Cold War II: The Eisenhower Administration, the Bandung Conference, and the Reperiodization of the Postwar Era," *Diplomatic History* 30: 5 (Nov. 2006): 867-892. Christopher I. Clement, "Organic Intellectuals and the Discourse on Democracy: Academia, Foreign Policy Makers, and Third World Intervention," *New Political Science* 25: 3 (2003): 351-364. For comparative perspectives, see George McT. Kahin and Audrey R. Kahin, *Subversion as Foreign Policy: The Secret Eisenhower and Dulles Debacle in Indonesia* (Seattle: University of Washington Press, 1995); Thomas Paterson, *Contesting Castro: The United States and the Triumph of the Cuban Revolution* (New York: Oxford University Press, 1994); Piero Gleijeses, *The Guatemalan Revolution and the United States, 1944-1954* (Princeton: Princeton University Press, 1991); Joyce Kolko and Gabriel Kolko, *Confronting the Third World: United States Foreign Policy, 1945-1980* (New York: Pantheon Books, 1988); H. W. Brands, *The Specter of Neutralism. The United States and the Emergence of the Thrid World, 1947-1960* (New York: Columbia University Press, 1989).

compensation" as a principle of international law: "If the contrary were true, states seeking to avoid the necessity of making payment for property expropriated from foreign nationals could avoid all pecuniary responsibility simply by changing their local law." The result, according to U.S. logic, could be catastrophic: "Every international obligation could thus be wiped off the books."[163]

The concern with precedent would be evoked again and again, most prominently when responding to the "radical" oil policies of Iraq and Libya in the early 1970s. The new prominence of permanent sovereignty in the international community occurred, in part, because Mossadegh presented Iranian economic nationalism as an application of a widely accepted and thoroughly familiar principle. International support for Mossadegh, so evident in the United Nations, emphasized economic control over natural resources as a basic sovereign right. The support also spelled out another count on which permanent sovereignty set itself against the traditional agenda of the international economy. Like the terms of trade thesis, the thesis of permanent sovereignty became a tacit dimension of Third World political thought. The two propositions, often if not always systematically articulated, were shared by Third World leaders.[164]

Permanent sovereignty also transformed into an explicit diplomatic strategy when Mossadegh invoked nationalization as a right. In fact, the failure of Mossadegh led to a more general and enduring formulation of the concept of permanent sovereignty. The UN debates on permanent sovereignty and economic self-determination began to transcend the period in which they occurred. The rise of permanent sovereignty as an economic doctrine in the Third World had much to do with the specific Iranian

---

[163]Hyde, "Permanent Sovereignty," 864.

[164] Michael Polanyi, "The Growth of Thought in Society," *Economlca,* 8: 32 (November, 1941); Polanyi, *The Tacit Dimension* (New York: Doubleday, 1966), 4.

experience, which served as a lightning rod. The broader context of decolonization also shaped the Third World agenda. The Wilsoninian principle of national juridical sovereignty became more broadly applied as decolonization proceeded in the 1950s. More people began to feel that anti-colonial nationalism, especially in the economic sphere, held legitimacy after formal independence. For Third World nations, the UN resolutions made clear, sovereignty implied control over national resources. As in Prebisch's initial analysis, sovereignty was the first step toward economic independence and development. By turning from the specific example of Iran to the general category of decolonization, Mossadegh confirmed this link in his Security Council speech.

With the return of the Shah and the passing of the UN resolution, the question of permanent sovereignty focused on control over resources as its core meaning. The emphasis was a practical one, and occurred not only in the language of international politics, but in terms of specific goals of Third World countries. Even if presented as a timeless idea of liberation, the particular question occurred in a historically defined moment. The failed Iranian nationalization, not to mention similar events in Guatemala soon after, served as a lesson for other nationalists. The oil-producing nations would not consider expropriation a viable idea for almost two decades.

Yet while western observers assumed that the lesson was punitive, the crisis in Iran led to a further step in the sequence of reasoning first described by Prebisch. For the strategies associated with permanent sovereignty to have ready applicability, for permanent sovereignty to become "operational" in the argot of policy studies, the owners of raw materials needed somehow to control production and access to markets. The Iranian example denoted the need for greater diplomatic calculation with respect to the manner in which permanent sovereignty could be pursued.

A PILLAR OF PAN-ARABISM

Advocates of permanent sovereignty began to do battle on two fronts. On the conceptual level, they continued to assert the existence of inequality in the international economy. Diplomatically, they began to look specific imperial links that could be reset to the advantage of Third World nations. One particular one was the Suez Canal, which was important for many geopolitical reasons, especially as the gateway between Western Europe and Middle Eastern oil fields.[165]

Egyptian President Gamal Abdel Nasser nationalized the British-owned Suez Canal Company in July 1956. "We shall all of us defend our nationalism and Arabism," he said, adding that the tolls Egypt would collect on the canal would be used to finance development projects.[166] Like Mossadegh, Nasser pitted national sovereignty against what he perceived to be the imperialistic internationalism of the Cold War. In actions as well as words, he equated his actions with the greater good of the Third World.

The response to the nationalization was immediate. The American Undersecretary of State, Herbert Hoover, Jr., advised that Britain would not accept the nationalization, especially since Nasser could not prevent the flow of the "two-thirds of Middle Eastern oil [that] passes through the Canal."[167] The United States disagreed with the November 1956 French-British-Israeli invasion of the Canal Zone, especially in light of the Egyptian government's arguments about continued British imperialism and its affront to Egyptian sovereignty.[168] However, American leaders also worried that Nasser had

---

[165] Diane B. Kunz, *The Economic Diplomacy of the Suez Crisis* (Chapel Hill: University of North Carolina Press, 1991); Wm. Roger Louis and Roger Owen, eds., *Suez 1956: The Crisis and Its Consequences* (New York, 1989); Peter Hahn, *The United States, Great Britain, and Egypt, 1945-1956: Strategy and Diplomacy in the Early Cold War* (Chapel Hill: University of North Carolina Press, 1991); Tore Tingvold Peterson, *The Middle East between the Great Powers: Anglo-American Conflict and Cooperation, 1952-7* (New York: St. Martin's Press, 2000).
[166] Little, *American Orientalism*, 172-181.
[167] Little, *American Orientalism*, 172.
[168] Kunz, *Economic Diplomacy*, 73-80, 138-152.

inspired nationalist sentiment in many oil-producing countries, which were predominantly Arab. The Joint Chiefs of Staff expressed concern about Nasser's influence not only in the oil-producing states, but in "all Moslem countries and in neutralist and under-developed countries throughout the world."[169]

The Suez Crisis overlapped with the new settlement between Iran and the Consortium. The nationalist leader who precipitated the crisis over Suez, Gamel Abdel Nasser, discussed Mossadegh's emblematic and exemplary status with reporters in 1956.[170] The similarities between the two leaders are striking. Like Mossadegh, Nasser had come of age in a period of nationalist and anti-imperialist ferment. After joining the army in 1937, he earned rapid promotion. When British troops surrounded King Farouk in the Royal Palace and forced him to appoint an allied-friendly government in 1942, Nasser and other officers began discuss reform in the army. Failure in the war against Israel in 1948 and 1949, especially the poor showing of Egyptian and other Arab armies, reinforced the officers' sense of frustration. The group concluded that the Egyptian government needed to be drastically reformed and, if not, overthrown.

During the Truman administration, the British maintained their pre-war imperial presence in the Middle East. The most important holding was Egypt, which had been under British occupation since 1882. After the war, colonial administrators stood on an increasingly wobbly edifice. It began to crumble in late 1951. Groups of workers, students, activists, and military units struck at British troops and facilities in the Canal

---

169 Citino, *From Arab Nationalism to OPEC*, 102-103.
170 Lior Sternfeld, "Between Abadan and Suez- Mossadegh in Cairo," in Firoozeh Kashani Sabet and Eve Troutt Powell, eds., *From Cairo to Tehran: Historical Ties and Contemporary Connections Between Egypt and Iran* (forthcoming, 2012); See also H.W. Brands, "The Cairo-Tehran Connection in Anglo-American Rivalry in the Middle East, 1951–1953," *The International History Review* 11: 3 (1989): 434-456; Muhammad Abd el-Wahab Sayed-Ahmed, *Nasser and American Foreign Policy, 1952-1956* (London, 1989).

Zone. Widespread rioting led to scores of deaths. Nasser's group, now known as the "Free Officers," seized control of the government on July 23, 1952.[171]

Nasser quickly became an international figure. His oratorical style, combined with the new availability of cheap transistor radios and a powerful signal from Radio Cairo, made him popular with millions of listeners in Egypt and neighboring Arab states.[172] Anti-imperialism formed a central part of his pan-Arab philosophy as it developed in the mid-1950s. His emphasis on the political, economic, and social development of the Arab world enveloped the oil-producing states. Nasser identified the control of Arab oil by Western interests as a colonial vestige. The oil-rich states, the pan-Arab doctrine held, should nationalize oil installations and share the resultant wealth with the rest of the Arab community.[173] The Eisenhower administration understood the ramifications of his assertion in *The Philosophy of Revolution* that oil was "the vital nerve of civilization" in this context.[174] Likewise, the Kennedy administration viewed with great concern the potential for Nasserism in the Saudi technocracy and military, despite Nasser's constant pledges that he "was not after the oil of Saudi Arabia."[175]

Against this background, the United Nations again passed a resolution on permanent sovereignty. In 1955, the Third Committee of the General Assembly, whose

---

171 Joel Gordon, *Nasser's Blessed Movement: Egypt's Free Officers and the July Revolution* (New York, 1991); Stephens, *Nasser*, 103-110; Yaqub, *Containing Arab Nationalism*, 26-27.

172 "By the mid-1950s," one historian writes, "Nasser had developed an appealing rhetorical style that blended classical with colloquial Egyptian Arabic, humor with vitriol, and candor with sloganeering. " Stephens, *Nasser*, 122. See also: James Brennan, "Radio Cairo and the Decolonization of East Africa, 1953-1964," in Christopher J. Lee, ed. *Making a World after Empire: The Bandung Moment and Its Political Afterlives* (Columbus: Ohio University Press, 2010), 173-195.

173 Vitalis, *America's Kingdom*, 68-87.

174 Nathan Citino, "Oil and Arab Nationalism in U.S.-Iraqi Relations, 1958-1961," in Kathryn Statler and Andrew Johns, eds. *The Eisenhower Administration, the Third World, and Globalization* (Lanham, MD: Rowan and Littlefield, 2006), 249; Nasser, *Egypt's Liberation: Philosophy of the Revolution* (New York: Public Affairs Press, 1955), 96-106; Nasser, "The Egyptian Revolution," *Foreign Affairs* 33 (1955): 210.

175 Douglas Little, "The New Frontier on the Nile: JFK, Nasser, and Arab Nationalism," *The Journal of American History* 75 (1988): 511.

delegates had been assigned the broad question of social and humanitarian affairs, devoted considerable time to the discussion of "economic self-determination."[176] In the debate, a basic division over the link between natural resources and self-determination pitted the United States, the United Kingdom, and the Netherlands against an "Asian-African-Arab group." This group, led by Abdul Rahman Pazhwak of Afghanistan and Jamil Baroody of Saudi Arabia, argued that "unless a state is the master of its own resources, it cannot exercise the right of political self-determination."[177]

The relationship between Saudi Arabia and Egypt was fraught with tension. Nasserism had forced King Saud into a corner. The conflict between his cooperation with the West and pan-Arab nationalism was tenser than ever. After the invasion of Suez, Saud was forced to withhold oil from the imperial powers Britain and France, at great cost to the kingdom.[178]

Despite the mutual antagonism between Saudi Arabia and Egypt, Baroody expressed his belief in the same broad principles as Nasser. In the Third Committee debate, he affirmed economic self-determination as a right. The resolution on permanent sovereignty was necessary "to prevent what had been a frequent occurrence in the nineteenth century, namely that a weak and penniless government should seriously compromise a country's future by granting concessions in the economic sphere." The resolution, he said, "was intended as a warning to all who might consider resorting to such unfair procedure."[179]

Baroody was establishing a principle in the UN speech, but when Israel troops invaded the Sinai on October 29, 1956 the threat to energy security became material.

---

176 Report of the Third Committee on Draft International Covenants on Human Rights, UN Doc A/3077.
177 General Assembly, 10th Session, Official Records, Third Committee, 638th meeting, 70.
178 Citino, *From Arab Nationalism to OPEC*, 105-11.
179 General Assembly, 10th Session, Official Records, Third Committee, 672nd Meeting, 240.

Nasser closed the Suez Canal. Syrian groups sabotaged the pipeline in their country that carried petroleum from Iraq to the Mediterranean. For the United States, the disruptions had the geopolitical effect of endangering European recovery, so central to the national security doctrine of the early Cold War. The disruptions also explicitly linked corporate investment with the legacy of imperialism.[180]

The United States delegate to the Third Committee, the flour heiress Mary Lord, rejected the notion of permanent sovereignty. As had her predecessor, she invoked the sanctity of private investment, for good measure calling the 1952 resolution an "unfortunate history." Linking natural resources to self-determination would "be widely regarded as...the endorsement of a right of expropriation," she continued.[181]

Lord's assumptions ran counter to the relationship Prebisch had established between international politics and economics. Her basic objection to the resolution was couched in the corporatist rhetoric of the postwar petroleum order: "the political principle of self-determination does not have clear economic applications." Nevertheless, the Economic and Social Council of the UN recommended to the General Assembly that it establish a commission to conduct a full survey of "the status of the right of peoples and nations to permanent sovereignty over their natural wealth and resources." Then, the commission would recommend provisions to strengthen that right.[182]

Nasser depicted the Suez crisis as representative of the plight of non-aligned, Third World nations.[183] For most Third World leaders, statehood was just the beginning

---

180 Citino, *From Arab Nationalism to OPEC*, 107-108.
181Hyde, *Permanent Sovereignty*, 858. Lord was the heiress to a flour-milling fortune and later became a member of Eisenhower's cabinet.
182 UN Doc E/2731, May 4, 1955, 48-51.
183 Matthew Walker, The Lost Art of Interdependency: United Nations Leadership in the Suez Crisis of 1956 and its Ramifications in World Affairs (PhD, University of Nebraska-Lincoln, 2010), 209, 221, 243-247.

of a post-independence drive for economic development. When the president of the new state of Indonesia, Sukarno, opened the 1955 Bandung conference of non-aligned nations by decrying "the modern dress" of colonialism "in the form of economic control, intellectual control and actual physical control," he mirrored the desires of a generation of Third World leaders. Almost all viewed Western capitalism, or at least parts of it, as an extension of imperialism.[184] The Bandung communiqué—signed by Nasser, Nehru, Sukarno, as well as representatives from Iran, Iraq, Saudi Arabia, and Libya—made Economic Cooperation its first line-item. "Respect for national sovereignty" was central to Third World development. The Bandung signatories also recommended "collective action" to increase the prices for commodities and raw materials.[185]

The conceptual and political breakthrough of permanent sovereignty was evident by its high profile in the contemporary anti-imperial consciousness. As time wore on, what was first an economic model and then a new moral language would become a diplomatic strategy. The political sovereignty inherent in decolonization was a means to an end, not an end in itself.

But, what of its ability to upend the unequal terms of trade? The results of the Iranian and Suez crises had been decidedly mixed.[186] In the case of oil, global production rose and prices dropped even further by the end of the decade.

FROM PERMANENT SOVEREIGNTY TO OPEC

It is impossible to divorce the the history of the international economy from the history of decolonization.[187] Raúl Prebisch did not insert the concept of sovereignty into the

---

[184] Bradley R. Simpson, *Economists with Guns: Authoritarian Development and U.S.-Indonesian Relations, 1960-1968* (Stanford: Stanford University Press, 2008), 18; Jason Parker, "Cold War II," 867-892; Vitalis, "The 'New Deal' in Egypt," 211-239.
[185] Carlos P. Romulo, *The Meaning of Bandung* (Chapel Hill: University of North Carolina Press, 1956), 93-94.
[186] Citino, *From Arab Nationalism to OPEC*, 117-143.

international lexicon, nor were Mohammed Mossadegh and Gamal Abdel Nasser the first to invoke it in defense of nationalization. But as the terms of trade thesis commanded wider acceptance, the idea began to fix a new meaning to sovereignty. Sovereignty now emphasized national control over resources as an economic palliative to post-imperial economic inequality.[188] The new definition of sovereignty came with definitive political and economic criteria. Economically, even if imperial powers renounced the central political tenets of empire and transferred the power of colonial administration to new national actors, the imperial logic driving the international economy continued to hold. The attitude pushed against the corporatist attempt by western governments in the late 1940s and 1950s to depict economics as above political frays. As it turned out, the approach shared by Prebisch, Mossadegh, Nasser, and others showed real virtuosity in handling the relationship between international politics and economics, so much so that it leaves even today's reader breathless.

The idea of permanent sovereignty resonated through the Third World in the 1950s. Analyzing the influence of permanent sovereignty implies that the process of decolonization was far more complicated than the emergence of national consciousness and the transfer of imperial power. To be sure, the result of the loss of imperial legitimacy was a generalized system of nation-states. However, in the mid-1950s the argument became widespread that Third World interactions with the developed nations were characterized by highly asymmetrical power relations, even if the nations were formally equivalent in terms of juridical sovereignty.

---

[187]Wm. Roger Louis, "The Imperialism of Decolonization," *Journal of Imperial and Commonwealth History* 22: 3 (1994): 462-511; A. G. Hopkins, "Rethinking Decolonization," *Past & Present* 200 (August 2008): 211–247.

[188] Permanent sovereignty, it could be argued, was a consequence of the transformation in the norms of the interstate system, first shepherded in by World War I and the Treaty of Versailles. The world of the twentieth century differed from that of the nineteenth in one key respect: sovereignty no longer depended entirely on a state's ability to defend itself from outside aggression.

The doctrine was accepted by a loose group of Third World elites, who had different experiences and were connected in different ways. A central adhesive binding them together was the shared notion of permanent sovereignty as a core belief. In time, the belief began to affect the tone of international politics.[189] Several meetings—including those of Afro-Asian People's Solidarity Conference, the Non-Aligned Movement, the Organization of African Unity, and the UN Conferences on Human Rights—placed permanent sovereignty at the center of their discussions.[190] In a series of investigations beginning in 1957, the UN Secretariat and the Economic and Social Council reported that the question of permanent sovereignty had become a standard part

[189] To say that permanent sovereignty became an important aspect of Third World political or economic thought is only to say that many other thinkers understood and agreed with the nature of the call to arms. Permanent sovereignty was part of a wave of intellectual ferment in the decolonizing world, and it would be overzealous to understand it as overriding other conceptions of actual or future political arrangements in the heady days of early post-imperialist thought.

[190] On decolonization and development, see: Jawaharlal Nehru, *Independence and After: Speeches, 1946-1949* (New York: Ayer, 1971), 245-264, 325-338; Kweku Ampiah . *The Political and Moral Imperatives of the Bandung Conference of 1955: The Reactions of the US, UK, and Japan* (Poole, England: Global Oriental, 2007); Steven Metz, "In Lieu of Orthodoxy: the Socialist Theories of Nkrumah and Nyerere," *The Journal of Modern African Studies* 20: 1 (1982): 377-392; Kwame Nkrumah, *Revolutionary Path* (London: Panaf Books, 1973); Evan Luard, *A History of the United Nations* (New York: St. Martin's Press, 1982); Aime Césaire, *Discourse on Colonialism* (New York: Monthly Review Press, 1973 [1955]), 14, 31; Franz Fanon, *The Wretched of the Earth* (New York: Penguin, 1967), 29-33; Thomas Hodgkin, "Some African and Third World Theories of Imperialism," S*tudies in the Theory of Imperialism*, Roger Owen and Bob Sutcliffe, eds., (London: Longman, 1972), 93-116; Léopold Sédar Senghor, *On African Socialism* (New York: Praeger, 1964); Michael F. Lofchie, ed. *The State of Nations: Constraints on Development in Independent Africa* (Berkeley: University of California Press, 1971); Jonathan Kelley and Herbert S. Klein, "Revolution and the Rebirth of Inequality: A Theory of Stratification in Postrevolutionary Society," *American Journal of Sociology* 83:1 (Jul. 1977): 78-99; Steven M. Schwebel, "The Story of the United Nation's Declaration on Permanent Sovereignty Over Natural Resources" *American Bar Association Journal 49* (1963): 463. On new national constitutions and permanent sovereignty, see Russell H. Fitzgibbon, "The Process of Constitution Making in Latin America," *Comparative Studies in Society and History* 3: 1 (Oct. 1960): 1-11; Jorge Castañeda, "Revolution and Foreign Policy: Mexico's Experience," *Political Science Quarterly* 78: 3 (Sep. 1963): 391-417; Seymour J. Rubin, "Nationalization and Private Foreign Investment: The Role of Government," *World Politics* 2 (July 1950): 485-510; Hans Kohn, "The United Nations and National Self-Determination," *Review of Politics* 20 (1958): 526-545; Cecil J. Olmstead, "Nationalization," *New York University Law Review* 32 (1957); Stephen Haber, Noel Maurer and Armando Razo, "When the Law Does Not Matter: The Rise and Decline of the Mexican Oil Industry," *The Journal of Economic History* 63: 1 (2003): 1-32.

of the legislation of new nations, including constitutional protection of the right of a nation to control its natural resources.[191]

Permanent sovereignty had become a central economic plank of Third World unity by the end of the 1950s. At the same time, prices remained stable, guaranteeing income for the oil-producing nations. Then, in the late 1950s, prices began to drop. Increased production among the largest companies, as well as new production from smaller companies and the entry of the Soviet Union as an oil exporter, caused a market glut. Furthermore, U.S. import quotas, formalized by a proclamation by President Eisenhower in 1959, closed off the American market.[192] The largest oil companies decided to reduce their tax commitments to the producing countries by reducing the posted process for crude oil.[193] Exxon reduced the posted price of oil in the summer of 1960 without consulting the producing states. The unilateral move cost Saudi Arabia alone over $30 million in lost revenues in the following year.[194]

OPEC emerged out of this immediate economic environment, but it had more complex origins. Abdullah al-Tariki, the Saudi oil minister who studied Geology at the University of Cairo and the University of Texas in the 1940s, sought ways to increase the role of the Saudi Arabian government in the management of its resources.[195] In 1954 he had pushed for a contract with the Greek magnate Aristotle Onassis that would allow

---

[191] *The Status of Permanent Sovereignty over Natural Wealth and Resources, Study by the Secretariat*, UN publication No. 62, Vol. 6.
[192] Richard H. K. Vietor, *Energy Policy in America since 1945: A Study of Business-Government Relations* (New York: Cambridge University Press, 1984), 129-138; Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011), 167; Francisco Parra, *Oil Politics: A Modern History of Petroleum* (London: I.B. Tauris, 2004), 68-109.
[193] Peter R. Odell, *Oil and World Power*, rev. ed. (New York: Penguin, 1983), 106-107.
[194] Michael Gratz, *The End of Energy: The Unmaking of America's Environment, Security, and Independence* (Cambridge, Mass.: The MIT Press, 2011), 24; Yergin, *The Prize*, 512-516.
[195] Robert Vitalis, *America's Kingdom: Mythmaking on the Saudi Oil Frontier* (Stanford: Stanford University Press, 2007), 194-227.

Onassis to replace Aramco as the primary shipper of Saudi oil.[196] When the United States invaded Lebanon, he called the United States "an imperialist aggressor supporting reactionary governments to cloak western exploitation of Arabs."[197] In 1958 *Fortune* magazine described him as "a fanatical nationalist."[198]

For the First Arab Petroleum Congress in 1959, Tariki hired an American lawyer, Franck Hendryx, to present a paper entitled "A Sovereign Nation's Legal Ability to Make and Abide by a Petroleum Concession Contract." Hendryx argued in the paper that the oil producing nations could "modify or eliminate provisions of an existing petroleum concession which may have become contrary to the best interests of its citizens."[199] Other presenters made similar arguments.[200] In each of these papers, the generalized challenge to the sanctity of international contracts was couched in the rights-infused language of permanent sovereignty.

The Director of Mines and Hydrocarbons of Venezuela, Juan Pablo Pérez Alfonso, agreed with Tariki. The first official talks between Venezuelan and Middle

---

196 Nathan J. Citino, "Defending the 'Postwar Petroleum Order': The US, Britain, and the 1954 Saudi-Onassis Tanker Deal," *Diplomacy and Statecraft* 11 (July 2000): 137-160; Rachel Bronson, *Thicker than Oil: America's Uneasy Partnership with Saudi Arabia* (Oxford: Oxford University Press, 2006), 81-82.

197 "OCB intelligence notes: reactions to U.S. intervention in Lebanon," July 8, 1958, *Declassified Documents Reference Service*, Document No. CK3100199891.

198 Anna Rubino, *Queen of the Oil Club: The Intrepid Wanda Jablonski and the Power of Information* (Boston: Beacon Press, 2008), 143.

199 Parra, *Oil Politics*, 94; Franck Hendryx, "A Sovereign Nation's Legal Ability to Make and Abide by a Petroleum Concession Contract," First Arab Petroleum Congress, 1959, *Middle East Monographs* (Middle East Research and Pub. Center, Beirut, 1960).

200 S. G. Siksek, "The legal framework for oil concessions in the Arab world," First Arab Petroleum Congress, 1959, *Middle East Monographs* (Middle East Research and Pub. Center, Beirut, 1960); Harley C. Stevens, "Some Reflections on the First Arab Petroleum Congress," *Middle East Journal* 13: 3 (Summer 1959): 273-280; Issam Azzam, The Organization of Petroleum Exporting Countries (OPEC)," *The American Journal of International Law* 57: 1 (Jan. 1963): 112-114; *The Arab World*, Special Issue: Arab Oil, First Arab Petroleum Congress, Vol. V, May-June 1959 (New York: Arab Information Center, 1959); The Arabian American Petroleum Company, *First Arab Petroleum Congress, Cairo, UAR, 16-23 April 1959* (Dhahran: The Arabian American Petroleum Company, 1959); Anis Qasem, "Libyan Oil Legislation," First Arab Petroleum Congress, 1959, *Middle East Monographs* (Middle East Research and Pub. Center, Beirut, 1960).

Eastern oilmen had occurred ten years earlier, when a three-man Venezuelan team toured the region after the fifty-fifty agreements. Now, Pérez Alfonso attended the Congress with text of his country's tax laws and other oil legislation translated into Arabic. Wanda Joblanski, the prominent oil journalist of her time, introduced Tariki and Pérez Alfonso in her hotel room.[201]

The two found common ground. Pérez Alfonso and Tariki believed that if the world's largest oil-producers entered into a pro-rationing agreement—a collective decision to produce less oil—they could reset the terms of trade. By using a system similar to that employed by the Texas Railroad Commission in the United States, the oil ministers hoped they could exchange supply for price. Unlike the current price system, in which the producers received a flat rate according to volume, Pérez Alfonso believed supply-side control could bring a "fair" price that took into account "the intrinsic value of oil."[202] A day after the initial discussions, Pérez Alfonso and Tariki met again at a yacht club in Mehdi, a northern suburb of Cairo. They were joined by Iranian, Kuwaiti, and Iraqi representatives, who agreed to a series of measures, including the defense of oil prices and the establishment of national oil companies.[203] Months later, Tariki visited Pérez Alfonso in Caracas to work out a plan for production control.[204]

When the oil companies cut posted prices again in 1960, Tariki telegraphed Pérez Alfonso. The revolutionary Iraqi government then invited the members of the Mehdi Pact to Baghdad. On September 14, representatives from Saudi Arabia, Venezuela, Iran, Kuwait, and Iraq announced the creation of the Organization of Petroleum Exporting Countries. The first communiqué of OPEC read much like the UN documents on

---

[201] Yergin, *The Prize*, 516-518; Rubino, *The Queen of the Oil Club*, 165-198.
[202] Parra, *Oil Politics*, 92-93.
[203] Yergin, *The Prize*, 518.
[204] Citino, *From Arab Nationalism to OPEC*, 151.

permanent sovereignty. OPEC demanded to be consulted on pricing matters and called for a system of "the regulation of production." Tariki considered "OPEC as an instrument for economic emancipation."[205] The future deputy director of OPEC, Fadhil al-Chalabi, later called the communiqué "the first collective act of sovereignty on the part of the oil exporters."[206]

When the OPEC leaders made their decision, permanent sovereignty stood at the center of a general agreement about the nature of the Third World's place in international society. The individual interests of each nation cannot be discounted, but their broader agreement was characterized most strongly by its abhorrence of the traditional economic structure.[207] It was the individual decisions of these various Third World actors, state and non-state, to employ the language of permanent sovereignty that helped make the fortune of the idea. By nature ecumenical in its rhetoric of common plight and its universal condemnation of classical terms of trade, permanent sovereignty provided a *lingua franca* that diverse voices could use to criticize the international political economy.

Economic Self-Determination

The conviction that economic and political structures were inseparable was shared by elites throughout the Third World. The conceptual breakthrough of the terms of trade theory was that imperial economic continuities continued to exist and were in fact part of the more massive phenomenon of decolonization. Prebisch formed part of a growing Third World intellectual cohort that, in the words of W.E.B. Dubois, believed "the present plight of the world is a direct outgrowth of the past."[208] The doctrine of unequal

---

[205] Abbas Alnasrawi, *Arab Nationalism, Oil, and the Political Economy of Dependency* (Westport, CT: Greenwood Press, 1991), 118.
[206] Yergin, *The Prize*, 523.
[207] Citino, *From Arab Nationalism to OPEC*, 150-156.
[208] W.E.B. Dubois, *The World and Africa* (New York: International Publishers, 1968), 2.

exchange provided a touchstone for the rise of non-communist scholarly critiques of Western capitalism that outlived the Cold War, including dependency theory and more recent critical analyses of high modernism, neoliberalism, and globalization. On a practical level, the terms of trade thesis supported a conclusion common to a number of Third World leaders without the aid of statistics or theory.

Jean-Paul Sartre later held that many nations had only achieved "a simulacrum of phoney independence."[209] In a common front, Third World leaders insisted that the economic structure and performance of their countries had been shaped decisively by their colonial experience. Furthermore, their present and future development was being retarded by neo-colonial influences, such as foreign aid, the overt presence of multinational corporations and, most importantly, their subordinate position in the western capitalist political economy.

Once political self-determination was achieved, economic development became the chief cause of the anti-colonial struggle. The theory and language behind this development, terms of trade and permanent sovereignty, reinforced anti-colonial nationalism even as it modified its end objectives. In this way, Prebisch's thinking returned to its point of departure: It began with inequality, then turned to consider problems of state-driven economic development, and in due course led back to theorizing about imperial legacies. Third World ideas fused prevailing contemporary notions about the nature of the international economy with new suggestions for economic development. The terms of trade concept and the potential diplomacy of permanent sovereignty shaped the narrative of Third-World advocates regarding the international political economy.

---

[209] Fanon, *The Wretched of the Earth*, 9.

The implications of this argument for the postwar petroleum order were profound. In the 1960s, the advocates of permanent sovereignty continued to seek real economic and diplomatic power from the nominal political sovereignty that came with statehood and UN membership.[210] In the longer story, the western concern with the "Arab oil weapon" in the late 1960s and early 1970s began with simultaneous collapse of European colonialism and continuity of unequal economic arrangements after World War II.[211]

The gap between American policy and Third World aspirations was wide. The corporatist design of the postwar petroleum order sought to remove the link between economics and international politics. Permanent sovereignty made that connection explicit. Still, American policymakers remained optimistic about the structural integrity of the postwar petroleum order. Even though the five largest oil-producing states had now banded together, no serious concern was expressed in the United States. In just one example, Dwight Eisenhower and Allen Dulles disagreed on the ramifications of the formation of the cartel in a January 1960 meeting of the National Security Council (NSC). Eisenhower expressed the majority opinion. "Anyone could break up the Organization," Eisenhower said, "by offering five cents more per barrel [to] one of the countries." Dulles was not so sure, noting that OPEC's five founders held more than 80 percent of global reserves.[212] In the 1960s, at least, it would seem like Eisenhower was right.

---

210 Robert H. Jackson, *Quasi-States: Sovereignty, International Relations and the Third World* (New York: Cambridge University Press, 1990).

211 Scott A. Bills, *Empire and Cold War: The Roots of U.S.-Third World Antagonism, 1945-1947* (New York: Palgrave MacMillan, 1990); Robert J. McMahon, *Colonialism and Cold War: The United States and the Struggle for Indonesian Independence, 1945-49* (Ithaca: Cornell University Press, 1981); D. K. Fieldhouse, *The West and the Third World: Trade, Colonialism, Dependence, and Development* (London: Wiley-Blackwell, 1999).

212 *FRUS, 1958-1960,* IV, Foreign Economic Policy, Memorandum of Discussion at the 460th Meeting of the National Security Council, September 21, 1960, 309.

Chapter 1: *Crisis Forestalled: The 1967 Arab Oil Embargo*

We know that the imperialists are very interested in the region of the Middle East, because they have very strong interests in oil and other things.

Josef Brop Tito to Gamal Abdel Nasser, 1967[213]

[I]f we do not have a common stand, we will be picked off one by one.

Eugene Rostow to Karl Schiller, 1967[214]

"To open the Gulf of Aqaba to at least oil for Israel," Walt Whitman Rostow wrote to Lyndon Baines Johnson on June 4, 1967, "will be the test of who wins this trial of will and nerve."[215] Two weeks earlier, the U.S. president and his national security assistant had learned that the president of the United Arab Republic, Gamal Abdel Nasser, had declared Aqaba an Arab *mare clausum*, removing UN peacekeepers and shutting the waterway's only entrance, the Straits of Tiran, to Israel-bound vessels with "strategic" cargoes. Nasser's term, "strategic," pointed directly to the five Liberian tankers that transported 300 million tons of Iranian crude to Israel per year.[216] Israel's prime minister, Levi Eshkol, told Johnson that the blockade formed the final link of an Arab chain of

[213] Notes Regarding Yugoslav-Egyptian Talks, Tito Presidential Material Archives, August 11, 1967, Cold War in the Middle East, Digital Archive, The Cold War International History Project, accessed March 30, 2012.

[214] Susan K. Holly, ed., *Foreign Relations of the United States, 1964-1968,* Volume XXXIV. *Energy Diplomacy and Global Issues* (Washington, D.C.: U.S. G.P.O., 1999), 246. The DOS to the Embassy in Germany, June 19, 1967 (hereafter, (hereafter, *FRUS, 1964-1968*, XXXIV, document number).

[215] Rostow to Johnson, Rusk, and McNamara, June 4, 1967, Lyndon Baines Johnson Presidential Library, National Security File, Box 107 (hereafter, LBJL NSF 107).

[216] CIA Intelligence Information Cable, June 4, 1967, LBJL NSF 106.

"stranglish encirclement" threatening Israel's existence. A third Arab-Israeli war in twenty years was imminent.[217]

In the two weeks between the closing of Aqaba and Rostow's memo, the Johnson administration designed and employed several strategies to ensure Israel's oil supply and prevent war. All of them failed. The discussions in the White House and the State Department surrounding these strategies revealed overlapping limitations for American diplomatic, military, and economic influence. Policymakers yoked these limitations together with a single theme: the formidable power of Arab oil-producing nations. Two days after Rostow's memo, the first shots of the June 1967 war rang out. The Arab oil-producing countries imposed what would be a three-month embargo on the United States, the United Kingdom, and West Germany.

Historians have accounted for many of the demands that stretched the sinews of American global power in the late 1960s and created a new sense of vulnerability among American policymakers.[218] In the international economy, the novel feeling was closely linked to the development of permanent sovereignty. Moments of extremity often reveal the essence of longer patterns. The 1967 oil embargo was no different. The threats posed by instability in the Middle East that summer—a diplomatic situation the U.S. ambassador to the United Nations, Arthur Goldberg, described as operating "within very

---

[217] Tel Aviv to White House, June 5, 1967, LBJL NSF 107.

[218] Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (New York: Cambridge University Press, 2005); Jeremi Suri, "The Cold War, Decolonization, and Global Social Awakenings: Historical Intersections," *Cold War History* 6 (2006): 353-63; Bradley R. Simpson, *Economists with Guns: Authoritarian Development and U.S.-Indonesian Relations, 1960-1968* (Stanford: Stanford University Press, 2008); Hal Brands, *Latin America's Cold War* (Boston: Harvard University Press, 2010); Frederik Logevall, *Choosing War: The Lost Chance for Peace and the Escalation of the War in Vietnam* (Berkeley: University of California Press, 2001). On the Arab world in particular, see Nathan Citino, *From Arab Nationalism to OPEC: Eisenhower, King Saud, and the Making of U.S.-Saudi Relations*, 2nd ed.(Bloomington: Indiana University Press, 2005); Matthew Connelly, *A Diplomatic Revolution: Algeria's Fight for Independence and the Origins of the Post-Cold War Era* (New York: Oxford University Press, 2002); SalimYaqub, *Containing Arab Nationalism: The Eisenhower Doctrine and the Middle East* (Chapel Hill: University of North Carolina Press, 2004).

narrow limits and a short time schedule"—were symptomatic of broader shifts in the international system.[219]

The month preceding the 1967 Arab-Israeli war, known at the time as the Tiran Crisis, provides a unique window onto longer trends that confronted the Johnson administration and its successors. Initially, the Tiran Crisis recast international maritime law and revealed declining U.S. military power. As policy options narrowed, the confrontation galvanized the idea of permanent sovereignty in the international agenda and emphasized its potential to subvert traditional American Cold War strategies. Economic concerns rose in importance in foreign affairs. Permanent sovereignty and its diplomatic corollary, the power of Arab oil producers, presented a new challenge to the security of the industrialized West.[220]

The challenge of an oil embargo in June 1967 was closely linked to the broader theme of permanent sovereignty. The long-running Arab-Israeli problem had become more than just a regional concern. The crisis transcended the geography of the Middle East, becoming a space in which competing interpretations of the international political economy collided.[221] Different schools of thought were based on a particular understanding of the past and sought divergent goals for the future. Permanent sovereignty became more than a commonly held aspiration among Third World leaders.

[219] United Nations, *Security Council: Official Records* (New York: Dag Hammarskjöld Library, 1968), 1343rd meeting, May 29, 1967, 3 (hereafter S/PV.1343).
[220] Melani McAlister calls this "commodity nationalism." *Epic Encounters: Culture, Media, and U.S. Interests in the Middle East, 1945-2000* (Berkeley: University of California Press, 2001), 125-154; M. S. Daoudi and M. S. Dajani focus exclusively on the embargo: "The 1967 Oil Embargo Revisited," *Journal of Palestine Studies* 13: 2 (1984): 65-90. Douglas Little, "Nasser Delenda Est: Lyndon Johnson, the Arabs, and the 1967 Six-Day War," in H.W. Brands, ed., *The Foreign Policies of Lyndon Johnson: Beyond Vietnam* (College Station, Tex.: Texas A&M University Press, 1999) provides an overview of the earlier historiography of the war. Newer literature is discussed in Roland Popp, "Stumbling Decidedly into the 1967 War," *Middle East Journal* 60: 2 (2006): 281-309 and Galia Golan, "The Soviet Union and the Outbreak of the June 1967 Six-Day War," *Journal of Cold War Studies*, 8: 1 (2006): 3-19.
[221] Simpson, *Economists with Guns*, 52; Benedict R. Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, rev. ed., (London: Verso, 1991): 163-186.

Within OPEC, certain leaders began to realize that "oil power," built on the structure of permanent sovereignty, was a real possibility.[222]

DIRE STRAITS IN THE SHADOW OF SUEZ

Discussions at the United Nations and within the upper echelons of the American foreign policymaking establishment exposed the feeble international influence of the United States in certain realms. Debility in the domain of maritime law was particularly notable. Weak influence in this realm was closely bound up with questions of permanent sovereignty.

President Johnson laid down the legal principle that underpinned U.S. policy by announcing that Nasser's interdiction of "free and innocent" passage through Tiran broke with maritime law.[223] Johnson's appeal to the Law of the Sea provoked a fierce debate over the historical precedents of the legal principle. In particular, discussions centered on the two articles passed at the 1958 UN Convention on the Territorial Sea that governed the relationship between "innocent passage" and the legality of blockades. Article 14 defined innocent passage as "not prejudicial to the peace, good order or security of the

[222] On the concept of oil power, which is preferable to "the Arab oil weapon," see: Walter Levy, "Oil Power," *Foreign Affairs* 49 (1970): 652-668; Geoffrey Chandler, "The Myth of Oil Power: International Groups and National Sovereignty," *International Affairs* 46 (Oct. 1970): 510-518; David Chalmers, "From Robber Barons to Industrial Statesmen: Standard Oil and the Business Historian," *The American Journal of Economics and Sociology* 20: 1 (Oct., 1960): 47-58; Rüdiger Graf, "Making Use of the 'Oil Weapon': Western Industrialized Countries and Arab Petropolitics in 1973–1974 ," *Diplomatic History* 36:1 (Jan. 2012): 185-208. Chandler provides an interesting interpretation of his period's scholarly literature: "Currently the vocabulary includes: 'international', 'multinational', 'trans-national', 'supranational', and 'national firms with foreign operations'. Another classification provides 'ethnocentric', 'polycentric' or 'geocentric'. There is some attraction in the *piannisimo* definition that 'a multinational company is any company with manufacturing facilities in more than one country' (*e.g.*, Louis Turner, *Policy and the Multi-national Company*, Fabian Research Series 279, December 1969); but this covers so wide a variety of enterprise it does not advance the argument very far."

[223] May 23, 1967, *The American Presidency Project*, eds. Gerhard Peters and John T. Woolley.

coastal State." Article 16 gave coastal states the right "to prevent passage which is not innocent."[224]

The ambiguity of Articles Fourteen and Sixteen left ample room for interpretation. Johnson used a reading that emerged from the legal branch of the State Department. Innocent passage was "determined objectively according to the conduct of a transiting vessel, not by the character of its cargo."[225] The passage of merchant oil tankers was innocent by this definition. The American interpretation, however, ignored Nasser's assertion that oil was a "prejudicial" material. The UN ambassador from Morocco expressed this concern in an emergency meeting of the Security Council. Nasser sought to bar only oil and other cargoes that strengthened "Israel's aggressive potential."[226]

Although the Johnson administration publicly maintained its adherence to the principle of innocent passage, internal memos validated Nasser's interpretation. "The oil shipments to Israel are prejudicial to the security of the UAR on the ground that they will supply the military forces of Israel," one NSC official wrote.[227] The State Department considered "a public statement that 'only oil for commercial or civilian use'" would navigate Tiran, "while oil for military use continued to be banned."[228] Officials also conceded that Nasser stood on the firm ground of international practice. "In recharacterizing oil as a strategic commodity," one acknowledged, Nasser pointed to the

---

224 Leo Gross, "Passage through the Strait of Tiran and in the Gulf of Aqaba," in *The Middle East Crisis: Test of International Law*, ed. John W. Halderman (Dobbs Ferry, NY: Oceana Publicantions, 1969), 141; M. McDougal and W. Burke, *The Public Order of the Oceans* (New Haven: Yale University Press, 1962), 258.
225Meeker to Rusk, May 27, 1967, "Legal Status of the Strait of Tiran and the Gulf of Aqaba," LBJL NSF 106.
226 S/PV.1346, June, 1 1967, 13.
227 Nathaniel Davis, Memorandum, May 26, 1967, LBJL NSF 106.
228"Contingency Paper: Immediate Arab-Israeli War," May 28, 1967, LBJL NSF 107.

United States' placement of oil on the list of embargoed goods to Cuba and China.[229] Nasser, moreover, was hardly the first leader to use oil as a weapon in the postwar era. During the 1956 Suez crisis, the Arab nations, the Soviet Union, and the United States had limited their oil flows to France, Great Britain, and Israel. American import quotas, defended since 1959 on national security grounds, also lent support to Nasser's definition.[230] "Petroleum could not be equated with peaches and pineapples," as historian Stephen Rabe notes.[231] Nasser would have agreed.

The guiding policy of "innocent passage" also fell on stony soil because it renewed an acerbic, decade-old debate linking postwar international law to post-colonial politics. The legal protection of Israeli passage through Tiran and Aqaba had been raised in the aftermath of the Suez crisis—a fact that Arab leaders had not forgotten. For Nasser and others, the denouement of U.S.-Israeli relations following the crisis was instructive. Egypt had maintained a blockade in the Straits of Tiran from Israel's founding, an action that effectively enclosed Israel's southern border. When David Ben-Gurion first directed Moshe Dayan to prepare a Sinai military operation in October 1955, his tactical objective was to break the blockade.[232] John Foster Dulles struck an agreement with Israel that fulfilled Ben-Gurion's objective in October 1956. In return for Israel's withdrawal from the promontory overlooking Tiran, Dulles promised to support Aqaba's international character. Few in the Arab world ever accepted the agreement as legitimate. In 1956,

---

229 Davis, Memorandum, May 26, 1967, LBJL NSF 106.

230 Diane Kunz, *The Economic Diplomacy of the Suez Crisis* (Chapel Hill: University of North Carolina Press, 1991), 182-194; Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Prineceton: Princeton University Press, 2005 [1984]), 174-182.

231 Stephen Rabe, *The Road to OPEC: United States Relations with Venezuela, 1919-1976* (Austin: The University of Texas Press, 1982), 164.

232 Robert Bowie, *Suez 1956: International Crises and the Role of Law* (New York: Oxford University Press, 1974), 10; Michael Bar-Zohar, *Ben-Gurion: The Armed Prophet* (New York: Prentice Hall, 1968), 192-194.

an Egyptian delegation argued to Dulles that Arab territorial waters comprised the Gulf and that passage should not "be undertaken without the consent of the Arab states concerned."[233] As Dwight Eisenhower recalled to the *New York Times* in May 1967, Egypt never consented to Israeli passage.[234]

The shadow of the Suez Crisis bore down on the 1958 Law of the Sea conference, in which Articles 14 and 16 enshrined the concept of innocent passage into international law. In a committee meeting late in the conference, Great Britain, the Netherlands, and Portugal maneuvered to keep Dulles' promise by submitting what became known informally as the "Aqaba Clause."[235] Inserted into Article 16, the revision protected passage not only through straits connecting two parts of the high seas but also between "the high seas and territorial waters."[236] After a contentious debate, the committee adopted the change by a margin of one vote, the closest roll call of the conference.[237] The Saudi Arabian representative spoke for the Arab delegations in the final plenary session. He called the amendment a "mutilation of international law" that "had nothing to do with the principle of freedom of navigation." The article stretched the definition of innocent passage to include a situation that applied exclusively to Aqaba. International law "no longer dealt with general principles," he continued. Rather, it had been "carefully tailored to promote the claims of one state."[238]

---

[233]*American Foreign Policy, Current Documents* (Washington, D.C.: Historical Division, Bureau of Public Affairs, 1957), 975-976.

[234] Felix Belair, Jr., "Eisenhower is Cool to a Unilateral Step," *New York Times*, May 26, 1967, 1.

[235]United Nations Conference on the Law of the Sea, *Official Records. Volume III: First Committee: Territorial Sea and Contiguous Zone* (Geneva, Switzerland: UN, 1958), A/CONF.13/C.1/L.71, 231 (hereafter, *UNCLS III*, document number, page number).

[236]*UNCLS II*, Annex I, "Text of the articles," 124.

[237]*UNCLS III*, A/3519, 93-100.

[238]*UNCLS II*, A/CONF.13/38, 65; Ali El-Hakim, *The Middle Eastern States and the Law of the Sea* (Syracuse: Syracuse University Press, 1979), 156; D. H. N. Johnson, "Some Legal Problems of International Waterways, with Particular Reference to the Straits of Tiran and the Suez Canal," *Modern Law Review* 31 (1968): 157.

The Arab participants withdrew from the conference in protest. In their absence, the new maritime law passed by a vote of 65 to 1. The head of the American delegation, Arthur Dean, celebrated the outcome in the *American Journal of International Law*: "The Geneva Conference... in a politically charged arena, achieved agreement sufficient to write a new and beneficent rule into international law."[239] UN Emergency Forces, employed in the Sinai the previous year as a buffer between Egypt and Israel, now had the new mandate of ensuring the passage of Israeli ships and goods through Tiran. In the following decade, Israel's deepwater port of Eilat grew in importance as part of a national strategy to accelerate commerce within the trade systems of the South Atlantic and Indian Oceans. In addition, Israel constructed a pipeline between Eilat and a refinery in Haifa to accommodate the increasing quantities of imported energy necessary for economic growth.[240]

Johnson's invocation of innocent passage couched U.S. foreign policy in the language and the context of the 1958 law. For the Arab states, as well as the supportive Third World nations, the seemingly impartial vehicle of international law did not conceal the partisanship underlying its formulation. As American efforts to convince the Security Council to censure the embargo sagged, Johnson expressed his frustration to British Prime Minister Harold Wilson. Despite doing "everything we could to get an even-handed Security Council pronouncement," he wrote, the United States had been unable to prevent the "determined effort to have the Council…legitimize Nasser's

[239] Arthur Dean, "The Geneva Conference on the Law of the Sea: What Was Accomplished," *American Journal of International Law* 52 (1958): 607.
[240] Mordechai Abir, "Sharm-el-Sheikh—Bab al-Mandeb: The Strategic Balance and Israel's Southern Approaches," *Jerusalem Papers on Peace Problems* 5 (March 1974), Leonard Davis Institute, Hebrew University of Jerusalem, 12-13.

action."[241] Article 16, steeped in a suspect tradition of maritime law, was anything but innocent for a majority of the sitting members of the Security Council.[242]

A BLEAK VERDICT

The limitations of American military power aligned with the scrutiny of maritime law. A day after Johnson endorsed innocent passage, Wilson declared his support for the American position by directly quoting a 1957 British statement guaranteeing Israeli passage. The *Times* of London reported that the renewed pledge likely meant that the Anglo-American alliance planned to enforce Israeli passage through Tiran and Aqaba with naval power, with or without UN approval.[243] The *Times* was discerning. Even as Johnson tried to sweeten international opinion through the language of maritime law, the Pentagon began work on the bitter pill of military tactics, "hurriedly" developing plans to break the blockade.[244]

Almost at once, the Joint Chiefs of Staff came to the grim realization that any naval initiative would prove impossible. One difficulty concerned Israeli demands to participate. In a "somber" message to the U.S. Secretary of State Dean Rusk, Levi Eshkol explained that the detention of any ship or strategic cargo would be cause for war.[245] Israel's reflexive recourse to retaliation made the drawing up of naval sequences

---

[241] Johnson to Wilson, June 5, 1967, LBJL NSF 107.

[242] For a similar formulation, see Elizabeth Borgwardt, *A New Deal for the World: America's Vision for Human Rights* (Cambridge, Mass.: The Belknap Press, 2005), 318n32.

[243] David Wood, "Mr Wilson insists on the right to use Strait of Tiran," *The Times* (London), May 25, 1967, 1.

[244] Joint Chiefs of Staff, Memorandum for the Record, May 30, 1967, LBJL NSF 106.

[245] Eshkol to Rusk, May 30, 1967, LBJL NSF 106.

a meaningless exercise.[246] The political geography of Tiran posed another hitch. The State Department considered passing the convoy through the east channel of Tiran, along the Saudi Arabian coast. This course also was deemed undesirable because King Faisal could not agree to passage. If he did, "he would be an almost certain casualty of the current pro-Nasser emotionalism throughout the Arab world."[247] To make matters worse, the State Department rallied minimal international support. Only the Netherlands and Great Britain were willing to employ naval force. More discouraging still, the travel time from The Hague to the Red Sea was weeks, and the Dutch were already dragging their feet.[248]

They were not the only laggards. The Pentagon immediately ordered its own ships from the Sixth Fleet to the Eastern Mediterranean, but informed Johnson that the transfer of naval forces from the Atlantic Fleet to the Red Sea would take at least a month. Rotation around Africa was necessary because the United States' East-of-Suez forces would not fare well in the case of armed conflict. "The capability of these forces to prevail if attacked by major UAR forces is doubtful," wrote the Joint Chiefs. Military advisers mistrusted the efficacy of U.S. armed forces in the region and concluded that the American Navy was too weak to hazard a confrontation over the blockade.[249]

Military capital was banked in Vietnam. Earlier in the month, the Joint Chiefs noted their "reservations concerning the ability of the United States to meet worldwide

---

[246] Principle Deputy, Assistant Secretary of Defense to Secretary of Defense, June 2, 1967, LBJL NSF 107.
[247] DOS, "Agenda for Control Group Meeting," June 1, 1967, LBJL NSF 107.
[248] Research Memorandum, June 2, 1967, LBJL NSF 107.
[249] JCSM-310-67, June 2, 1967, LBJL NSF 107.

military commitments and contingencies beyond the current Southeast Asian conflict."[250] The Pentagon admitted that conventional power could not be decisive in Tiran, an early hint of the need for a stronger presence in the keystone of what Zbigniew Brzezinski would label the "arc of crisis" in 1979.[251] After careful consideration, the Johnson administration was forced to conclude that the naval solution was nothing but a fig leaf. The failure was nakedly evident on the international stage. The Soviet chargé to the United Nations took the opportunity to publicly mock the "dissatisfaction of those imperialist circles" that could "no longer deploy their military forces as they wished."[252]

PERMANENT SOVEREIGNTY AND PAN-ARABISM

Like maritime law, military power had been exposed as an impotent strategy. As the avenues of influence narrowed in late May 1967, efforts to orchestrate a multinational declaration in the United Nations supporting the principle of innocent passage also floundered. Eugene Rostow, the State Department's contact point with the UN delegation in New York, reported that most nations were prepared "to support the principle regarding international waterways" but shied away from considering "the use of force to secure adherence to that principle."[253] As the crisis mounted, almost all governments backed away from the American position, reneging even on their support of the notion itself. The reasons given for backpedalling confirmed Nasser's initial

---

[250] JCSM-288-67, May 20, 1967, LBJL NSF 107.
[251] For the history of U.S. weakness in the region, see William Odom, "The Cold War Origins of the U.S. Central Command," *The Journal of Cold War Studies* 8: 2 (2006): 60.
[252] S/PV.1343, May 29, 1967, 22.
[253] Eugene Rostow, "Memorandum to the President," May 30, 1967, LBJL NSF 107.

contention that oil was indeed strategic. It also suggested the increasing power of permanent sovereignty as an instrument of diplomacy for the oil producers.

In preparing the policy of innocent passage, the Johnson administration had oil power at the forefront of its collective thinking. The appeal to international law was designed to give "the producing countries the best possible excuse for moderation by presenting a plausible image of evenhandedness."[254] After reading cables from the UN, Eugene Rostow reported that this scenario was doubtful. It would "not be possible to present the American action to the Arab world (nor probably to most of the Third World) as simply an assertion of a recognized international right," he wrote.[255] The pledge to innocent passage shaped a policy that ignored the reality of an international split setting the United States against a bloc of decolonized and other underdeveloped nations.

The rupture had been patently evident in the debates over international law. The crisis deepened in late may. Arguments in the Security Council bore out Rostow's prediction. Third World ambassadors reacted viscerally to the maritime declaration and the rumors of naval movements. The Indian ambassador took the floor to discuss "the repressive measures being adopted by colonial powers." The delegate from Cairo likened possible military maneuvers to "the nineteenth century of warship diplomacy."[256] In the

---

254 "Chairman of the Task Force: The Working Group on Economic Vulnerabilities," LBJL NSF 106.
255 Eugene Rostow, "Agenda for Control Group Meeting," June 1, 1967, LBJL NSF 106.
256 United Nations, *Security Council Official Records: Twenty-second Year: Supplement for April, May and June 1967* (New York: UN, 1968), S/7925.

General Assembly, the Saudi Arabian delegation identified western military pressure as "a new form of colonialism."[257]

The Johnson administration's support of innocent passage not only yielded charges of neo-colonialism, but those charges increasingly became bracketed into conversations about the growing importance of Arab oil wealth. The ideal of permanent sovereignty formed the essential subtext to these discussions. In a representative statement, the Bulgarian ambassador linked "the policy of interference and intervention conducted by certain imperialist circles" to the goal of "appropriating and exploiting...the vast wealth" of the Middle East.[258] Such statements grabbed the attention of oil-consuming nations and undermined support for the maritime declaration. Potential signatories to the maritime statement, the Pentagon noted, had taken notice and had begun "to believe that even such a declaration on their part would lead to serious discrimination against their Middle Eastern interests."[259]

Action against Western interests could take the form of seized assets, an oil embargo, or even expropriation. The culmination of Nasser's long-running desire to connect pan-Arabism to oil wealth seemed at hand. The American ambassador in Cairo told Rusk that "any Arab leader who refused to [take measures] would risk literal as well as political assassination."[260] The U.S. embassies in Libya, Algeria, Kuwait, Saudi Arabia, and Iraq all expressed their concern about street violence. Adding to this

[257]United Nations, *Official Records of the General Assembly, Fifth Emergency Session, Verbatim Records of Meetings 17 June – 18 September 1967* (New York: UN, 1973), A/PV.1526, 204.
[258]*Ibid.*
[259] Principle Deputy, June 2, 1967, LBJL NSF 107.
[260]CIA Intelligence Information Cable, June 4, 1967, LBJL NSF 106; Nolte to DOS, June 2, 1967, LBJL NSF 106.

concern, the leaders of several Arab labor unions met in Damascus. There, they resolved to "destroy the oil sources, pipe-lines and installations from which the enemy could benefit."[261] The Syrian delegation to the United Nations proudly referred to the "determination of the Arab masses."[262] Failure to support Nasser, State Department intelligence agreed, would expose "every regime" in the Arab world to "the revenge of the aroused masses."[263]

In Saudi Arabia especially, the situation presented King Faisal with a dilemma. His amoldering abhorrence of Nasserism, owing largely to Nasser's stoking of the conflict in South Arabia, was well-known. Still, the State Department reported that "at present he knows he must…live down the accusation of being a Western stooge."[264] CIA operative Kermit Roosevelt, Jr., organized a lunch between Harold Saunders of the NSC and Saudi Prince Mohammed in late May. The prince told Saunders that the Saudi royal family knew Nasser was bent on undermining pro-American regimes. That much was obvious. But nothing could be done to stem the tide of pan-Arabism surging through his country. "Where Israel is involved, no Arab government has any choice but to rally to the common cause," he continued. In the case of war, Saudi Arabia would take precautionary measures to deprive "extremists" of a reason for sabotage, including "closing oil installations indefinitely."[265]

---

261 *FRUS, 1964-1968*, XXXIV, 240. Memorandum of conversation, June 12, 1967, cited in note; *FRUS, 1964-1968*, XXXIV, 242. Memorandum from Solomon to Katzenbach, June 12, 1967.
262 S/PV.1346, June 3, 1967, 9.
263 Intelligence Note, June 2, 1967, LBJL NSF 107.
264 "The Working Group on Economic Vulnerabilities," LBJL NSF 106.
265 Saunders, "Memorandum for the Record," May 31, 1967, LBJL NSF 106.

The State Department believed the situation even less tractable because the nonaligned nations that "Nasser might listen to," Yugoslavia and India, had "already declared for the UAR."[266] In a meeting with Nasser at the Kubeh Palace in Cairo two months after the crisis, Yugoslav President Josef Brop Tito neatly summarized Third World feeling. In his analysis, as in nearly everyone else's, control over oil stood front and center. "We know that the imperialists are very interested in the region of the Middle East because they have very strong interests in oil and other things," Tito told Nasser.[267]

Tito's handle materialized at a central juncture between the ongoing regional conflict, the Cold War, and the spread of the concept of permanent sovereignty. The support of innocent passage had the "obvious effect" of strengthening "the Soviet position as friend and protector of all Arabs against their imperialist foes," the CIA concluded in late May."[268] Eugene Rostow agreed: "Barring a miracle," Egyptian and Soviet propaganda would succeed in "branding the U.S. as the ally and protector of Israel against the Arabs."[269] Soviet propaganda sought to do so. Soviet foreign minister Andrei Gromyko explained the direction of policy to the foreign ministers of Eastern Europe: "Although it is still quite loose, an anti-imperialistic coalition of Arab states is emerging."[270]

---

[266]Intelligence Note, June 2, 1967, LBJL NSF 107.
[267] Notes Regarding Yugoslav-Egyptian Talks, Tito Presidential Material Archives, August 11, 1967, Cold War in the Middle East, Digital Archive, The Cold War International History Project, accessed March 30, 2012.
[268]National Intelligence Estimate, "The Middle Eastern Crisis," May 26, 1967, LBJL NSF 106.
[269]Eugene Rostow, "Agenda for Control Group Meeting," June 1, 1967, LBJL NSF 106.
[270] "Report by the Bulgarian Foreign Minister on the Ministerial Meeting in Warsaw regarding the situation in the Middle East1, 9-21 December 1967," Archive of the Bulgarian Ministry of Foreign Affairs,

As scholars have long asserted, ongoing American support of Israel certainly strengthened the bond between the Soviet Union and pan-Arabism.[271] Another group of historians has rightly linked the "Arab oil weapon" to the desire for political gains concerning the question of an independent Palestine and, especially for King Faisal of Saudi Arabia, continued Moslem access to Jerusalem.[272] Despite the merits of these two lines of scholarship, the international emphasis on oil power in the run-up to the June 1967 Arab-Israeli war points to a distinct, if related, pattern in international history. The growing assertiveness of the oil-producing states during and after the war suggests that permanent sovereignty had climbed to the top of the global agenda of the late 1960s.

The crisis brought Arab oil producers, some less willingly than others to the vanguard of the Third World movement for permanent sovereignty. In 1964, building on the widespread acceptance of Prebisch's initial analysis of the international economy, the United Nations voted to found the United Nations Conference on Trade and Development. Diego Cordovéz, a member of the UN Secretariat, argued that the

---

The Cold War in the Middle East, Digital Archive, The Cold War International History Project, accessed March 30, 2012.

271 Malcolm Kerr, *The Arab Cold War: Gamal 'Abd al-Nasir and His Rivals,* 3rd ed., (New York: Oxford University Press, 1971); Jonathan Haslam, *Russia's Cold War: From the October Revolution to the Fall of the Wall* (New Haven: Yale University Press, 2011), 153-155, 235-237; Fouad Ajami, The Arab Predicament: Arab Political Thought and Practice since 1967 (Cambridge: Cambridge University Press, 1981).

272 Uri Bialer, *Oil and the Arab-Israeli Conflict, 1948-1963* (London: Macmillan, 1999); Michael B. Oren, *Six Days of War: June 1967 and the Making of the Modern Middle East* (New York: Oxford University Press, 2002); Rashid Khalidi, *Sowing Crisis: The Cold War and American Dominance in the Middle East* (Boston: Beacon Press, 2009); Timothy Mitchell, "The Resources of Economics: Making the 1973 Oil Crisis," *Journal of Cultural Economy* 3: 2 (2010): 189-204; Roy Licklider, *Political Power and the Arab Oil Weapon: The Experience of Five Industrialized Nations* (Berkeley: University of California Press, 1988).

founding of UNCTAD “exploded the myth that all countries are economically equal.”[273] The selection of Prebisch as the inaugural Secretary General confirmed the terms of trade thesis as a dominant Third World belief.

For many Third World leaders, statehood had become just the beginning of a post-independence drive for economic growth.[274] The doctrine of unequal exchange gained traction throughout the 1960s and UNCTAD evolved into a sort of Third World think-tank. The terms of trade theory was an existential challenge to the structure of the international economy, which like the Law of the Sea, was perceived to have been created by imperial powers to maintain imperial inequalities. Likewise, permanent sovereignty increasingly symbolized the post-colonial determination to move beyond the political sovereignty of decolonization and challenge the exploitative nature of the Cold War political economy. In the words of the Pakistani development economist Mahbub ul Haq, the terms of trade theory was “a natural stage in the liberation [struggle] of the developing countries.”[275] Jagdish Bhagwati wrote in a popular textbook in 1966, “The biased allocation of world affluence to the white race lends an ugly and dangerous accent to a situation that is explosive enough in itself.”[276]

---

[273] Diego Cordovéz, “The Making of UNCTAD: Institutional Background and Legislative History,” *Journal of World Trade Law* (1967): 243.

[274] For example, see: Patrice Lumumba, *Lumumba Speaks: The Speeches and Writings of Patrice Lumumbam, 1958-1961* (Boston: Little, Brown, and Company, 1972 [1963]), 273-274, 295-296.

[275]Mahbub ul Haq, *The Poverty Curtain: Choices for the Third World* (New York: Columbia University Press, 1977), 8; Ali Mazrui, *Towards a Pax Africana: A Study of Ideology and Ambition* (Chicago: University Of Chicago Press, 1967); United Nations, *Beyond Conventional Wisdom: An Intellectual History of UNCTAD, 1964-2004* (New York: UN, 2004).

[276]Jagdish Bhagwati, *The Economics of Underdeveloped Countries* (London: Weidenfeld and Nicolson, 1966), 36.

The application of permanent sovereignty continued to be a diplomatic solution to the dilemma of economic liberation. In 1962, the General Assembly codified an economic "bill of rights" positing the inalienable privilege of nations over their natural wealth. During the UN debate, the Syrian delegate expressed the view that the resolution formed "'a new legal basis' for the relationship between developed and the underdeveloped countries." The U.S. delegation continued to hold otherwise and emphasized that the resolution was nonbinding. Furthermore, the American ambassador maintained that the diplomatic practice of permanent sovereignty violated "the obligations of national sovereignty." The argument denied permanent sovereignty as a fundamental right and maintained "the supremacy of international law over domestic legislation." Several countries responded that "economic self-determination" was indeed a right, but the United States made clear that its acceptance of the principle of permanent sovereignty was linked to what it considered the responsibility of states in using it. "The crux of the question," the U.S. delegation held, "was whether contracts would be observed, for if this was not the case, there would be no foreign investments."[277]

A lengthy debate in the Permanent Sovereignty Committee of UNESCO laid bare the opposing positions of the United States and the Third World. After proposing a resolution designed to protect international investment, the U.S. delegation noted "the binding nature of agreements concerning foreign investments including agreements by States with private investors." The Iraqi delegation, whose nationalist leaders had been

---

[277] Karol N. Gess, "Permanent Sovereignty at the United Nations: An Analytical Review of the United Nations Declaration and Its Genesis," *The International and Comparative Law Quarterly* 13: 2 (Apr. 1964): 409-450, quotes at 410, 412, 416, 414, and 437. This article closely examines the 1962 resolution's "doctrinal effect" on international law.

in a dispute with the multinational oil companies since their 1958 revolution, responded. It was illogical for a UN resolution to preserve unfair contracts between companies and states. Rather, the UN existed to emphasize "the inalienable right of sovereign states to nationalise, expropriate," and take all measures to ensure "complete sovereignty over anything which is theirs." Egypt, Saudi Arabia, Indonesia, Libya, Yugoslavia, Tanganyika, and Uganda joined Iraq in voting against American provisions ensuring external legal remedies for international contracts.[278]

The Algerian ambassador argued against the continuity of international contracts signed under colonial rule in the ensuing General Assembly debate. Failure to recognize new nations' sovereignty was akin to maintaining the validity of colonialism, he said. It was necessary to differentiate between contracts freely entered into and those concluded while one party was under colonial rule. Peoples and nations "who were basically sovereign" could not lose their inherent sovereignty during their time under colonial rule. Rather, sovereignty had only been suppressed. The return of sovereignty forced new national leaders to reexamine any agreements made while under colonial status. If such agreements were found wanting, sovereignty should be "restored to normal." Thus, permanent sovereignty implied the need for new agreements between Prebisch's center and periphery. The control of former colonies over their natural resources should not be compromised by any "alleged rights acquired before accession to full national sovereignty."[279]

[278]Gess, "Permanent Sovereignty," 442.
[279]Gess, "Permanent Sovereignty," 443-445.

The debates before the 1962 resolution showed that "the topic is one that can inflame a good deal of passion," one observer wrote. "Economic pragmatism," however, remained a constraint to action. Advocates of overturning the terms of trade "realized the mere possession of resources and the State's assertion of its permanent sovereignty over them would do little to move such resources from their underground deposits into world trade channels.[280]

Permanent sovereignty nevertheless had become a conspicuous idea in the half decade before the 1967 oil ebargo. The debate over its practice continued to move from the conference tables of academia and the halls of the UN into the more public arena of the international political economy. Later in 1962, for example, the president of Ghana, Kwame Nkrumah, told African guerillas in Accra that "the imperialists and colonialists are determined to retain the African countries in the position of suppliers of cheap raw material." In a speech to the national assembly, Nkrumah held that trade relations consolidated the strength of a "rich Europe...against the poorer nations of the world." The latter received "less and less for their raw materials while the industrialized nations were getting more and more for their exports of manufactures." Also in 1962, the third Afro-Asian People's Solidarity Organization (AAPSO) conference warned from Tanganyika of the economic power of a "united imperialist front" that sought "the

[280]*Op. cit.*, 448.

penetration of foreign capital for political subversion through an economic stranglehold on developing countries."[281]

Officials in the Kennedy and Johnson administrations did not take such positions seriously. Three years after the Tanganyika conference, Che Guevara spoke to the AAPSO conference in Algiers. In keeping with the emphasis on redressing post-colonial economic grievances, Guevara stressed the need to change "low world market prices for raw materials." The State Department acidly reported that his speech called for "a program couched more in moral imperatives than economic realities—a viewpoint holding considerable attraction for underdeveloped nations."[282]

If the State Department considered the pursuit of permanent sovereignty a futile exercise in radical rhetoric in 1965, events soon compelled reconsideration. The General Assembly adopted a stronger resolution on natural resources and national wealth in 1966. As in previous resolutions, the declaration emphasized the link between national self-determination and raw material control. Moving further, it called for "mutually acceptable contractual practices" that would increase the share of Third World governments in "the administration of enterprises which are fully or partially operated by foreign capital."[283]

---

[281] Rupert Emerson, "The Atlantic Community and the Emerging Countries," *International Organization* 17: 3 (Summer 1963): 639-641.

[282] Department of State, "Cuban official Che Guevara's 3 month tour of 8 African states detailed," April 19, 1965, *Declassified Documents Reference System* (DDRS), CK3100292976.

[283] In its statement on the 1962 resolution, the United States emphasized that a General Assembly statement of policy "affirms [states'] sovereignty and the modalities of the exercise of that sovereignty," but was not binding under international law (A/PV.1193).

In the Generally Assembly debate on the new resolution, ambassadors from Third World nations predictably decried the international terms of trade as a vestige of imperialism. Standing against this line of reasoning, the U.S. ambassador drew their ire by declaring "it would be a mistake" to give national governments greater participation in production "regardless of the practical considerations of contractual obligations and the equity of the case." With six abstentions, including the United States', the resolution entitled "Permanent Sovereignty over Natural Resources" passed 104 to zero. The journal *World Petroleum* described the outcome as "the pragmatic consequence of the age of equality among countries."[284]

Months later the prospect of the Arab oil-producers' sovereignty unnerved many Western leaders, including the British prime minister. Harold Wilson had steadily (but not stealthily) backed away from his early commitment to innocent passage. First he publicly recalled recalling the uncertainty regarding the international status of Aqaba expressed in 1957 by Secretary General Dag Hammarskjöld. The Pentagon took note of the "softening position."[285] Then he wrote Johnson of the "immense dangers" of superpower confrontation "in a part of the world where neither side can confidently expect to control the passions or reactions of the local participants."[286] The "dramatic

[284] Charles Heller, "Oil at the United Nations: Permanent Sovereignty—Phase II," *World Petroleum* 28: 2 (February 1967): 46.
[285] "British move for shipping rights in Gulf of Aqaba," *The Times*, June 1, 1967, 16-17; Principle Deputy, June 2, 1967, LBJL NSF 107.
[286]Wilson to Johnson, May 25, 1967, LBJL NSF 106.

prospect of great power confrontation," he added two days later, was such "as to make it essential that everything is done to avoid it."[287]

Despite the Cold War content of these letters, invoking superpower conflict barely concealed Wilson's greater concerns about the grave economic troubles gripping Great Britain. The remnants of the British Empire in the Middle East haunted the debate. Two weeks before the Tiran crisis began, the European Economic Community rejected the British bid for entry for the second time in five years. In a drastic response, British sterling reserves fell by over $300 million in the first half of May, increasing pressure to devalue the pound and reduce defense requirements East of Suez.[288]

The sterling outflow called attention to the growing financial power of certain oil-producing countries. As a result of rampant monetary speculation, Kuwait and Saudi Arabia now held two-thirds of the remaining sterling reserve, approximately $2 billion. This led State Department officials to fear that "the Arabs could precipitate a run on the sterling that could literally almost bankrupt the British."[289] London's financial infirmity compounded unease in Washington, where policymakers knew the dollar would not be

[287]Wilson to White House, May 27, 1967, LBJL NSF 106.

[288] Steve Galpern, *Money, Oil, and Empire in the Middle East: Sterling and Postwar Imperialism, 1944-1971* (Cambridge: Cambridge University Press, 2009), 255-267.

[289]Battle, "Memo to Secretary of State and the Secretary of Defense," May 31, 1967, LBJL NSF 106. For narratives that take into account the relationship between oil and the pound, see: D. C. Watt, "The Decision to Withdraw from the Gulf," *Political Quarterly* 39: 3 (1968): 310-321; D.C. Watt, "Britain and the Indian Ocean," *Political Quarterly*, 42: 3 (1971); Wm. Roger Louis, "The British Withdrawal from the Gulf, 1967–71," *Journal of Imperial and Commonwealth History*, 31:1 (2003): 83–108; Shohei Sato, "Britain's Decision to Withdraw from the Persian Gulf, 1964–68: A Pattern and a Puzzle," *Journal of Imperial and Commonwealth History* 37:1 (2009): 99–117; Roham Alvandi, "Muhammad Reza Pahlavi and the Bahrain Question, 1968–1970," *British Journal of Middle Eastern Studies* 27: 2 (2010): 159-177. For a longer view, James Onley, *The Arabian Frontier of the British Raj: Merchants, Rulers, and the British in the Nineteenth-Century Gulf* (Oxford: Oxford University Press, 2007).

spared the monetary consequences of a sterling run because of the international gold market.[290]

The American defensive gold stock was "virtually exhausted," the State Department continued. "[T]he already massive demand" for gold would only increase in the case of "economic war or even the threat of such a war." The effects of this global dynamic would further weaken the dollar.[291] The Johnson administration believed that a petro-pound withdrawal could force the United States into a no-win situation. The Treasury Department would need to decide whether or not to sell large amounts of gold. A gold sale would hold the dollar's price in the London market, but further gut its value. Alternatively, the Treasury could let the price of the dollar float, with the attendant risks for world economic stability.[292]

To parry the thrust of potential Arab economic diplomacy, the United States wielded few weapons. Previously, foreign aid had served as a traditional arrow in the American diplomatic quiver.[293] Owing to the relative peace in the Middle East and the

---

[290] Raymond Vernon, "Economic Sovereignty at Bay," *Foreign Affairs* 47: 1 (Oct., 1968): 110-122.
[291] Daniel Sargent, "Lyndon Johnson and the Challenge of Economic Globalization," in *The United States and the Dawn of the Post-Cold War World*, eds. Francis Gavin and Mark Lawrence (New York, Oxford: forthcoming).
[292]Battle, "Memo to Secretary of State and the Secretary of Defense," May 31, 1967, LBJL NSF 106. For the contemporary debate, see Francis Bator, "The Political Economics of International Money," *Foreign Affairs* (1968); Barry Eichengreen, "From Benign Neglect to Malignant Preoccupation: U.S. Balance of Payments Policy in the 1960s, *NBER Working Paper*, No. 7630 (March 2000): 40-44.
[293] On changes in U.S. aid policy towards the Middle East, see: Robert A. Packenham, "Political-Economic Doctrines: On the Theories of Foreign Aid and their Relationship to Foreign Policy," *World Politics* 18 (Jan. 1966): 194-23; John Kenneth Galbraith, "A Positive Approach to Economic Aid," *Foreign Affairs* 39: 3 (Apr. 1961): 444-457. On theories of development, aid, and foreign policy, see: Herbert Feis, *Foreign Aid and Foreign Policy* (New York: St. Martin's Press, 1964); E. B. Haas, *Beyond the Nation-State* (New York: Cambridge University Press, 1964); Paul Rosenstein-Rodan, "International Aid for Underdeveloped Countries," *The Review of Economics and Statistics* 43: 2 (May 1961): 107-138; Hollis B. Chenery and Alan M. Strout, "Foreign Assistance and Economic Development," *The American Economic Review* 56: 4

increase in regional development capital from oil receipts in the decade after the Suez crisis, the State Department had concluded in 1965 that "there would be no substantial political benefit from an aid relationship."[294] Officials lamented during the Tiran crisis that the United States had "run down our aid programs close to the vanishing point."[295]

In the case of an oil embargo, the Johnson administration considered other options, including the denial of the oil producers' access to finance capital, including the $2 billion in London and more than $700 million in New York. The administration decided that such a bold ove was unwise. Given "the powerful economic weapons" the producers could "use against the Atlantic nations," the State Department concluded that this option was "more a gun at our head than at theirs."[296]

THE ARAB OIL WEAPON

Nasser brought the Arab oil producers into the pan-Arab fold of permanent sovereignty. The transnational Arab media was central to his strategy as the crisis wore on. At a press conference in Cairo on May 25, a Kuwaiti correspondent pointedly inquired about the use of "Arab oil as a weapon in battle." Nasser responded with verve, linking oil to pan-Arab nationalism. "I believe that all weapons must be used in this battle, whether by governments or by the people," he said in a scarcely veiled warning to the oil

---

(Sept. 1966): 679-733; Mancur Olson, Jr., "Rapid Growth as a Destabilizing Force," *The Journal of Economic History* 23 (Dec. 1963): 529-552. On the relationship between neutralism and foreign aid: Cecil V. Crabb, Jr., "American Diplomatic Tactics and Neutralism," *Political Science Quarterly* 78: 3 (Sep. 1963): 418-443.

[294] "Economic assistance programs for Fiscal Years 1967-71 detailed," DOS, November 16, 1965, *DDRS*, CK3100053870.

[295] "Chairman of the Task Force: The Working Group on Economic Vulnerabilities,"LBJL NSF 106.

[296] "Chairman of the Task Force: The Working Group on Economic Vulnerabilities,"LBJL NSF 106.

producers.[297] The threat of popular action was enough to bring the Arab oil ministers to Baghdad on June 4. There, the conferees unanimously decided that oil would be denied to all countries supporting Israel in case of war.[298]

Scholars still disagree almost a half-century later over whom to blame for the beginning of the 1967 Arab-Israeli war.[299] It is certain, though, that soon after Israel applied the doctrine of preemptive warfare, Nasser instructed Radio Cairo to broadcast the charge that U.S. and British aircraft participated in the attack. Immediately, Iraq cut off oil shipments to the two countries for their "military assistance to the enemy." The other Arab producers quickly followed suit.[300]

Anti-American riots broke out across the Arab world, in what one State Department official called the "continued polarization...of the political scene."[301] The International Confederation of Arab Trade Unions again urged workers to sabotage pipelines and oil rigs. Bahraini officials closed down production in two refineries owing to labor stoppage.[302] In Saudi Arabia, petroleum minister Ahmed Zaki Yamani told Aramco officials that they would be held "gravely responsible if any drop of our oil"

---

[297] Davis memorandum, May 26, 1967, LBJL NSF 106.
[298] *FRUS, 1964-1968*, XXXIV, 229. Letter from John J. McCloy to Dean Rusk, June 5, 1967.
[299] William B. Quandt, "Lyndon Johnson and the June 1967 War: What Color Was the Light?" *Middle East Journal* , 46: 2 (Spring 1992), 198-228; Roland Popp, "Stumbling Decidedly into the Six-Day War," *Middle East Journal* , 60: 2 (Spring 2006), 281-309.
[300] *FRUS, 1964-1968*, XXXIV, 232. Embassy Iraq to DOS, June 6, 1967.
[301] *Foreign Relations of the United States 1964-1968*, Vol. XXI, *Near East Region; Arabian Peninsula* (Washington: U.S. G.P.O., 2000), 98: Information Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Battle) to Acting Secretary of State Katzenbach, June 19, 1967; *FRUS, 1964-1968*, XXI, 195. Telegram From the Embassy in Iraq to the Department of State, June 8, 1967; *FRUS, 1964-1968*, XXI, Document 210: Telegram From the Embassy in Kuwait to the Department of State, June 7, 1967; *FRUS, 1964-1968*, XXI, 291. Telegram From the Embassy in Saudi Arabia to the Department of State, June 9, 1967.
[302] Daoudi and Dajani, "The 1967 Oil Embargo Revisited," 69.

reached the United States or Great Britain.[303] On June 8, as Israeli freighters triumphantly prepared to sail through Tiran, Kuwaiti oil workers also walked out.[304] The offices of Standard Oil in Algeria were taken over and repainted in the colors the state-owned oil company.[305]

Anti-western actions, especially the government-supported oil stoppages in Saudi Arabia, Libya, and Kuwait, were designed as much for popular pan-Arab consumption as for using permanent sovereignty to alter the United States' position on Israel.[306] But the 1967 oil embargo also heralded a change in the context in which U.S. foreign relations operated. The transformation of the idea of permanent sovereignty into functional diplomacy threatened to upend the structural imbalance that Prebisch, Nasser, and the leaders of OPEC considered a vestige of economic imperialism. Nasser's merger of the Arab oil producers with Guevara's "moral imperatives," Nkrumah, Tito, and Sukarno's "imperialist" concerns, and Prebisch's terms of trade presented a real and present danger to international economic stability. Even though the most important Arab producers—the pro-American monarchies that ruled Saudi Arabia, Kuwait, and Libya—were dragooned into collaboration grudgingly, the strategic position of Arab oil production in 1967 introduced a fundamental challenge to the postwar petroleum order.

---

[303] Riyadh to DOS, June 7, 1967, LBJL NSF 107.
[304] Tel Aviv to Washington, June 8, 1967, LBJL NSF 107; *FRUS, 1964-1968*, XXXIV, 243. Embassy in Libya to the DOS, June 11, 1967; *FRUS, 1964-1968*, XXXIV, 240. Editorial note citing Telegram 1305, June 11, 1967.
[305] *FRUS, 1964-1968*, XXXIV, Embassy in Algeria to the DOS, June 9, 1967.
[306] Ussama Makdisi, "Anti-Americanism" in the Arab World: An Interpretation of a Brief History," *The Journal of American History* 89: 2 (2002): 538-557

The most immediate area of concern for American policymakers was Vietnam, where the oil embargo potentially affected operations. Middle East production provided 75 percent of monthly military requirements in Southeast Asia, including all aviation fuel.[307] In the case of an extended embargo, the State Department observed, military supply would need to be rerouted from the Western hemisphere. The deviation would "probably require production controls and product allocations in the United States," the State Department observed.[308]

Within the broader context of the international economy, the possible effects of the Arab embargo on the war in Vietnam was a secondary concern. Western preoccupations are more fully understood within the larger framework of the effects of decolonization on the corporatist separation of international politics and economics. If the UN resolutions on permanent sovereignty recognized the political power of peripheral production, the oil embargo reinforced that potential by removing a necessary component of stability of the international political economy, energy security. American officials' working definition of energy security drew on recent history. The United States had become increasingly conscious of the industrialized world's dependence on raw materials during World War II. After the war, especially following Stalin's refusal to commit Eastern European coal to Western European reconstruction, officials framed much of the Third World's strategic importance in terms first of European and Japanese reconstruction and, then, of the continued economic growth of those countries. To this

---

[307]"Official Report of Proceedings before the U.S. Department of the Interior, March 31, 1965," LBJL EX TA 6 Oil 19; CSM-310-67, Appendix E, June 2, 1967, LBJL NSF 107.
[308] "The Working Group on Economic Vulnerabilities," May 20, 1967, LBJL NSF 106.

end, American policy had favored the same terms of trade, based on inexpensive raw materials, that Prebisch and others bemoaned.

Industrial strength, economic productivity, and the generation of wealth were primary components of the American strategy of containment in the Cold War. The Johnson administration inherited this legacy. As Johnson told Pentagon officials in 1964, "We are the richest nation in the history of the world. We can afford to spend whatever is needed to keep this country safe and to keep our freedom secure."[309] Similarly, as the American system of mass production and consumption spread to Europe and Japan, the post-war premise of liberal capitalism proved successful across national boundaries.[310] Energy-intensive industrial production was central to the process. As recovery gained speed, national appetites for energy grew. The member states of the Organisation of Economic Cooperation and Development (OECD) consumed 60 percent of the world's energy by 1966. When the 1967 embargo began, the Middle East provided Western Europe with almost two-thirds of its total oil imports.[311]

The rising importance of Middle Eastern oil occurred at the same time as decolonization changed the landscape of the international political economy. After 16 African nations joined the UN in 1960, the number of people under some sort of colonial rule had declined from 750 million to fewer than 40 million in just a decade. The leaders of new nations overwhelmingly distanced themselves from the Cold War. "Adherents of

---

[309] Johnson remarks at Pentagon, July 21, 1964, *The American Presidency Project*, eds. Gerhard Peters and John T. Woolley.
[310] Victoria de Grazia, *Irresistible Empire: America's Advance through 20th-Century Europe* (Cambridge, Mass.: Belknap Press, 2007).
[311] *Petroleum: Journal of the European Oil Industry* 29: 6 (1966): 258 and 31: 1 (1968): 295.

the neutralist philosophy" represented "almost one-third of humanity," over 1 billion people, one observer wrote in 1962.[312] One effect of this transition was a greater emphasis on national economic development. Many leaders of new nations, especially advocates of permanent sovereignty, began to contest the "court vernacular" of development thought, modernization theory.[313] As UN membership grew and the Cold War superpowers sought ideological allegiance through their development policies, Third World development thinkers questioned the universal nature of Soviet and American ideas of economic development.

The advocates of permanent sovereignty did not disagree with the broadest assumption of modernization theory, that capital accumulation was necessary for economic growth. They did disagree with Walt Rostow's classic 1956 assertion that a rapid transformation could occur in "a relatively brief time interval of two or three decades." They also took umbrage with his 1960 assertion that this "take-off" point could easily occur if "traditional societies" left their future to a technologically proficient and entrepreneurial elite. Simon Kuznets, the economist who had criticized Prebisch trenchantly during the previous half-decade, believed Rostow's definition of modernization carried "the danger of misleading us into believing that the suggested

---

[312] Crabbe, "American Diplomatic Tactics and Neutralism," 418.

[313] Nick Cullather, "Development? It's History," *Diplomatic History* 24: 4 (2000): 641; John Toye and Richard Toye, *The UN and the Global Political Economy: Trade, Finance, Development* (Bloomington: Indiana University Press, 2004), 163-183.

connotations are relevant to observable reality." The amount of capital available, Kuznets and others believed, did not match up to the tasks at hand.[314]

Hans Singer, the German economist who developed the terms of trade thesis alongside Prebisch, found modernization theory more appealing than Kuznets did. But, he still disagreed with the American emphasis on foreign aid and investment.[315] A "gathering conviction" existed "that things cannot be allowed to go on as they are," he wrote in 1961. "It simply does not make sense to expand aid programs and help the underdeveloped countries along while at the same time they are allowed to lose on the swings of trade."[316] Prebisch agreed. Although he was an early supporter of the Alliance for Progress, he soon criticized it on similar grounds. The "late industrializers" he had written about in 1949—the United States, Germany, and Japan—had been able to gain the necessary capital for development because they had constructed tariff walls around their nascent industrial economies. If the periphery was not allowed similar leeway with tariffs, its development would be stillborn.[317]

One economist wrote afterwards that Prebisch's critique merited the respect of his status as "the dean and elder statesmen among specialists." His work "generated a wider and more protracted discussion among specialists than any other proposition related to

---

[314] Simon Kuznets, "Notes on the Take-Off," in *The Economics of Take-off into Sustained Growth*, ed. W. W. Rostow (London: Macmillan, 1963), 43.
[315] D. John Shaw, *Sir Hans W. Singer: The Life and Times of a Development Economist* (London: Palgrave-Macmillan, 2002).
[316] Cited in Toye and Toye, *The UN and the Global Political Economy*, 179.
[317] Raúl Prebisch, "Economic Aspects of the Alliance," in *The Alliance for Progress: Problems and* Perspectives, ed. John C. Dreier (Baltimore: Johns Hopkins University Press, 1962), 24-65; Raúl Prebisch, *Change and Development—Latin America's Great Task. Report Submitted to the Inter-American Development Bank* (New York: Praeger, 1971).

the field of Latin American economics."[318] In 1967, his theories would receive a fillip with the publication of André Gunder Frank's *Capitalism and Underdevelopment in Latin America*, which was published by the Monthly Review Press and reached a much wider popular audience.[319] By 1973, Gunder Frank would note that the doctrine "penetrated ever wider circles," thanks to the "subjective intentions and self-perceptions" of a group of "prominent ECLA economists-ideologues" led by Prebisch and including Aldo Ferrer, Celso Furtado, Maria de Conceção Tavares, Aníbal Pinto, and Osvaldo Sunkel.[320]

The Arab oil embargo and the doctrine of permanent sovereignty also threatened the international status quo by providing fodder for Malthusian critiques of the United States' "cowboy" economy at home and abroad.[321] The embargo called into question something more fundamental than the strategic concept of energy security. It loomed over the postwar formula of high growth, high consumption, and low unemployment that had come to define American and increasingly Western culture.[322] In May, the Department of the Interior concluded that the extended loss of Kuwait and Saudi Arabian

---

318 Henry William Spiegel, "Review," *The Americas* 29: 3 (Jan. 1973): 394.

319 Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America; Historical Studies of Chile and Brazil* (New York: Monthly Review Press, 1967).

320 Andre Gunder Frank, "Dependence Is Dead, Long Live Dependence and the Class Struggle: An Answer to Critics," *Latin American Perspectives* 1: 1 No. 1 (Spring 1974): 88.

321 Thomas Robertson, "'This is the American Earth': American Empire, the Cold War, and American Environmentalism," *Diplomatic History* 32:4 (September 2008): 561-584. For contemporary debates about oil and general resource shortages: J. L. Fisher, "The relationship of Material Resources and Population to Economic and Social Development," *UN: World Population Conference* (New York: UN, 1965); H. J. Barnett, "The Myth of Our Vanishing Resources," *Society* 4: 7 (1967): 6-10; Harold G. Cassidy, "On Incipient Environmental Collapse," *BioScience* 17: 2 (Dec. 1967): 878-882.

322 Robert Skidelsky, *Keynes: The Return of the Master* (London: Allen Lane, 2009), 116-126.

production would cause "serious disturbances" in the national economy.[323] The CIA had its own reasons for anxiety. The economic impact of an embargo would be severe within six months. "There would be a decline of perhaps twenty percent in the industrial consumption of primary energy," one analyst observed, "which would cause a sharp decline in production."[324] The products that defined American consumer culture were at risk because of instability in the Middle East.

As it threatened to derail two decades of economic growth, the embargo also unsettled relations within the North Atlantic alliance. Much to the chagrin of the Johnson administration, the French government began to encourage bilateral diplomacy between producing and consuming nations. The issue would bedevil U.S. officials for years. American policymakers believed that bilateral deals would create nationalistic competition among consumers, undermine the price benefits of the privately controlled international oil market, and prevent a rapid solution to the potential supply crisis presented by the embargo. The dispute over the relative merits of Western cohesion came to a head at a June 1967 meeting of the OECD Oil Committee.[325] On the table was an American proposal for to officially declare the embargo an emergency. Doing so would allow the Johnson administration to authorize a temporary suspension of American antitrust legislation under the 1950 Defense Production Act. The suspension of anti-trust

[323]*FRUS, 1964-1968*, XXXIV, 228. Memorandum from the Director of the Office of Fuels and Energy, May 23, 1967.
[324] Directorate of Intelligence, "Intelligence Memorandum: Impact on Western Europe and Japan of a Denial of Arab Oil, June 1967," LBJL NSF 107.
[325] *FRUS, 1964-1968*, XXXIV, 234. Letter From the Manager of the Government Relations Department, Standard Oil Company of New Jersey (Finlay) to the Assistant Secretary of the Interior for Mineral Resources (Moore), June 8, 1967.

laws would allow the American multinational oil companies to work with each other and with European companies and governments to solve supply problems.[326]

The meeting began with a French objection to the "provocative" nature of a united consumer effort. Anything but a quiet Western front would cause a dangerous polarization between oil consumers and producers, the French delegates argued. Angus Beckett— twenty years after helping to construct the postwar petroleum order, now the permanent chair of the committee—described the French position as "sitting on our bottoms and doing nothing." The French withdrew from debate. Now unimpeded, the group debated whether to declare the embargo an official emergency. The committee rejected the declaration but did create a plan to circumvent the embargo by taking advantage of the oil producers' difficulty of detecting shipments on the high seas.[327]

American concern about oil supplies grew when West Germany tilted toward French policy in mid-June 1967. In a conversation with the German economic minister, Karl Schiller, Eugene Rostow emphasized the necessity of international cooperation to minimize the impact of the embargo. In a tone "disturbing" to Rostow, Schiller "entered into a lengthy diatribe" about American companies' domination of the German energy market. Schiller would initiate a national energy policy should it become necessary to do so. Rostow responded that the idea was short-sighted. "Western cohesion would have a beneficial effect on conservative oil producers since it would strengthen their hand in arguing that Nasser was damaging Arab interests and would show that hard Arab line not

---

[326] *FRUS, 1964-1968,* XXXIV, 235. Rusk to Udall, June 8, 1967; *FRUS, 1964-1968*, XXXIV, 245. DOS to the Embassy in France, Washington, June 17, 1967.

[327] *FRUS, 1964-1968*, XXXIV, 241. The Mission to the OECD to the DOS, June 12, 1967.

likely to succeed," he told Schiller. "On the other hand, if we do not have a common stand, we will be picked off one by one."[328]

Rostow understood that major changes had taken place in the international economy. Not only had permanent sovereignty gained influence as a central plank to the Third World platform, but the basic assumptions of energy security had begun to change. In 1964, the German émigré economist E. F. Schumacher had warned that "no substitute existed for energy. The whole edifice of modern life is built upon it." As a finite resource, oil reserves would dwindle and exporters would seek to capture a larger share of profits. Specifically, Schumacher warned of overdependence on Middle Eastern oil. The world's most unstable countries held the cheapest oil. "Faced with such uncertainty, it is tempting to abandon the quest for a long-term view and simply hope for the best," he wrote.[329]

French and German obduracy owed in part to initially favorable prospects for continued supply. Their confidence resulted from French bilateral agreements with Algeria, Libya, and Iraq, as well as shared measures, including three-month storage requirements for petroleum and national tanker fleets. But, French and German attitudes toward cooperation began to change when leaders realized that exports might not promptly resume. Both countries acquiesced in the Oil Committee in July, enabling the

---

[328] *FRUS, 1964-1968*, XXXIV, 246. The DOS to the Embassy in Germany, June 19, 1967.

[329]Yergin, *op. cit.*, 541. On European energy policies, see: E. F. Schumacher, "The Struggle for a European Energy Policy," *JCMS: Journal of Common Market Studies* 2: 3 (Mar. 1964): 199-211; David Styan, *France & Iraq: Oil, Arms And French Policy Making in the Middle East* (New York: I.B. Tauris, 2006), 50-68.

emergency statement.[330] The resultant cooperation between the industrial nations and the multinational oil companies allowed the companies to meet the European shortage through increased Venezuelan, Iranian, and U.S. exports.[331]

GONE THE WINE FUMES

For all the ink spilled on the embargo in the White House and the State Department, its outcome made those concerns seem anticlimactic. Early on, one State Department official confidently reminded Johnson, "We must remember that the Arabs never stick together for long."[332] Indeed, since the formation of OPEC in August 1960, a split existed between what State Department officials termed the Arab "moderates"—the monarchies of Saudi Arabia, Kuwait, and Libya—and the "radicals," led by Iraq. The embargo reinforced OPEC's reputation as an ineffective body, renowned above all for the mutual mistrust of its members. The disagreements between the moderates and radicals in 1967 trumped the notion of a collectively held sense of sovereignty in OPEC.

The moderates immediately worked to limit the duration and magnitude of the embargo. According to the U.S. ambassador in Kuwait, the embargo was "an extremely delicate and dangerous game of proving their Arabism and at same time not jeopardizing their long-range interest in keeping oil flowing."[333] All three governments affirmed his belief that the monarchies would not jeopardize production. Instead of aiding the Arab effort against Israel, Kuwait deployed tanks to the north, "out of concern for possible

---

330 *FRUS, 1964-1968*, XXXIV, 254. Telegram From the Mission to the Organization for Economic Cooperation and Development to the Department of State, June 30, 1967; *FRUS, 1964-1968*, XXXIV, 259. Telegram From the Mission to the Organization for Economic Cooperation and Development to the Department of State, July 21, 1967; *FRUS, 1964-1968*, XXXIV, 262. Airgram From the Embassy in Germany to the Department of State, August 4, 1967.
331 Kapstein, *The Insecure Alliance*, 146-148; *FRUS, 1964-1968*, XXXIV, 250. Embassy in France to the DOS, June 27, 1967.
332 "Meeting on the Arab-Israeli Crisis on May 26," LBJL NSF 106.
333 Telegram 1322 from Kuwait City, June 11, 1967, LBJL NSF: NSC Special Committee Files, Kuwait.

Iraqi moves." The Kuwaiti government also approached the American ambassador about secretly contravening it by using the "bedu chicanery" of changing tanker manifests.[334]

On the same day, Saudi Oil Minister Ahmed Zaki Yamani proposed his own form of chicanery to an Aramco executive. Yamani had replaced Abdullah al-Tariki in 1962. One of the first Saudis to be trained in the United States, Yamani had gained the reputation as a friend of the West in the half-decade since his appointment.[335] He told the executive that a visiting Iraqi delegation had urged "vigorous measures," including nationalization, to protest the U.S. support of Israel. Yamani invited the oilman to a meeting with Iraqi officials on the following day. He instructed the executive to defend his role as a conduit between Western and Arab governments and to urge the Johnson administration "to use their best efforts" to see negate the recent territorial gains of Israel. "I know your government willing to give this assurance," Yamani told the executive.[336] The State Department was willing indeed. McGeorge Bundy, on loan from the Ford Foundation to lead the NSC emergency committee on the crisis, advised Johnson to give companies "some U.S. statement or action for which they can claim partial credit."[337]

Libya also sought to shorten the embargo. In a June 1967 telegram to Tripoli, Dean Rusk requested that the ambassador discuss oil supply with King Idris.[338] Idris told the ambassador that the oil stoppage was "particularly regrettable," but also said that he

---

334 CIA Intelligence Information Cable, June 8, 1967, LBJL NSF 107; *FRUS* XXXIV, 238. Embassy in Kuwait to the DOS, June 10, 1967.

335 Steffen Hertog, "Petromin: The Slow Death of Statist Oil Development in Saudi Arabia," *Business History* 50: 5 (2008): 645-667; Robert Lacey. *The Kingdom* (New York: Harcourt Brace Jovanovich, 1981), 339-340; Robert Vitalis, *America's Kingdom: Mythmaking on the Saudi Oil Frontier* (Stanford: Stanford University Press, 2007), 233-234.

336 *FRUS* XXXIV, 238. Aramco cable PC 683, June 10, 1967, editorial note.

337 *FRUS, 1964-1968*, XXXIV, 256. Memorandum from the Executive Secretary of the NSC Special Committee to Johnson, July 10, 1967.

338 Telegram, Libya to DOS, June 22, 1967, National Archives and Records Administration, Records of the State Department, Central Foreign Policy Files (hereafter, NARA, RG 59, CFP 1967-1969), PET 17-1 LIBYA; Telegram 213238 to Tripoli, June 20, 1967, NARA, RG 59, CFP 1967-1969, PET 17-1 LIBYA.

could not order the resumption of production "for appearances' sake."[339] Nevertheless, Libya began to secretly break the embargo in early August, through direct exports to West Germany and indirect shipments via Canada and Ireland to the United States and the United Kingdom.[340]

A public quarrel between Saudi Arabia and Iraq revealed the extent of the schism dividing the moderate and radical Arab oil producers. Yamani told the *Financial Times* that if the embargo continued the Arab world "stood to lose as much economically as they had already lost territorially."[341] Dean Rusk welcomed evidence of Saudi "enlightened self-interest."[342] The *New York Times* reported, "The Arabs, as usual, had a proverb to fit the situation. *Rahet al-sakra; waijit al-fakra*." The newspaper slickly translated the couplet: "Gone the wine fumes; thinking resumes."[343]

A different rhyme applied in Iraq. Prime Minister Tahir Yahya told the Iraq News Agency that the embargo would continue indefinitely, notwithstanding the "losses we suffer for the sake of the Arab nation."[344] After the King of Jordan's official denial of Anglo-American collusion in the initial Israeli air attack in July, Saudi-based Jedda Radio argued that the embargo was no longer valid. Yahya responded by accusing the Saudis of

---

339Telegram 212867 to Tripoli, June 20, 1967, NARA, RG 59, CFP 1967-1969, POL ARAB-US.
340Telegram 568 from Tripoli, August 10, 1967, NARA, RG 59, CFP 1967-1969, PET 17–1 LIBYA. See also: *FRUS, 1964-1968*, XXXIV, 244. Telegram From the Department of State to the Embassy in Libya, June 16, 1967; *FRUS, 1964-1968*, XXXIV, 253: Telegram From the Embassy in Libya to the Department of State, June 30, 1967; *FRUS, 1964-1968*, XXXIV, Telegram From the Embassy in Libya to the Department of State, July 6, 1967.
341 "Saudi Minister Urges Arabs to Reconsider," *Financial Times*, July 1, 1967; Nicholas Herbert, "More Moderation on Arab Oil," *The Times* (London), July 1, 1967.
342 *FRUS, 1964-1968*, XXIV, 257. Telegram From the Department of State to the Embassy in Saudi Arabia, July 11, 1967.
343 "Mideast Arabs," *New York Times*, July 2, 1967, 87.
344*Middle East Economic Digest: Weekly Report* 11: 27 (13 July 1967): 481-482.

deserting the Arab cause. *Al Ahram*, the influential daily newspaper in Cairo, called the Saudi pronouncement a "shameful act."[345]

The moderate monarchies continued to posit that the loss of oil receipts had become a serious problem. In mid-July, Kuwait and Libya announced that the embargo had cost each government approximately £1 million and $1.5 million per day.[346] These losses, Yamani worried, would translate into a new regional balance of power: "Iran is going to become the largest oil-producing state in the Middle East and probably the world."[347] Iran and Venezuela took advantage of Arab production cuts to increase their market shares, in a raw display of the internecine tensions that had plagued OPEC in the previous decade.[348] Commenting on Arab oil policies to Dean Rusk, the Shah of Iran said, "[I]t was ridiculous for any Arab to believe that the West could really be hurt by an Arab oil embargo." Production from Venezuela, Iran, and the United States could more than cover the gap.[349]

By late August, the embargo had failed. On August 29, the Arab heads of state met in Khartoum. The resultant communiqué is most famous for its "three no's"—no

---

345 "Saudi Call to Resume Oil Supplies," *The Times* (London), July 8, 1967; "Soviet Warships to Visit 2 Egyptian Ports Today," *New York Times,* July 10, 1967.

346 Here it is better to report each earnings loss as reported by the governments, especially given instability in the currency spot rates between May and Novermber 1967. See Michael Bordo, Michael Oliver, Ronald MacDonald, "Sterling in Crisis: 1964-1967," *NBER Working Paper Series* 14657 (January 2009), 8-10.

347 *Middle East Economic Digest: Weekly Report* 11: 26 (July 6, 1967): 478.

348 Jane Perry Clark Carey, "Iran and Control of Its Oil Resources," *Political Science Quarterly* 89: 1 (March 1974): 147-174; Stephen G. Rabe, *The Road to OPEC: United States Relations with Venezuela, 1919-1976* (Austin: University of Texas Press, 1982).

349 *Foreign Relations of the United States, 1964–1968*, Volume XXII, *Iran* (Washington, D.C.: G.P.O, 1999), 231. Memorandum of Conversation, "Oil and Gas," August 23, 1967. On Iranian and Venezuelan policy, see: *FRUS, 1964-1968*, XII, 229. Telegram From the Department of State to the Embassy in Iran, August 23, 1967; *Foreign Relations of the United States, 1964–1968*, Volume XXXI, *South and Central America; Mexico* (Washington, D.C.: G.P.O, 2004), 542. Telegram From the Embassy in Venezuela to the Department of State, June 7, 1967; *FRUS, 1964-1968,* XXXI, 543. Memorandum From the President's Special Assistant (Rostow) to President Johnson, July 28, 1967.

peace, no recognition, and no negotiation with Israel. However, Khartoum had other consequences. Saudi Arabia, Libya, and Kuwait would pay approximately $378 million a year of reconstruction aid to Egypt and Jordan. In return, Nasser promised to remove Egyptian troops from Yemen, and the conservative producers received his approval to resume full oil shipments to the West without accusations of betrayal.[350]

A DOOMSDAY SCENARIO?

The Khartoum payments extended well into the following decade and soon became a central means of financial support for Palestinian front-line organizations.[351] The August 1967 communiqué also employed the discourse of permanent sovereignty, noting that "Arab oil...is an Arab asset which can be put to use in the service of Arab aims."[352]

Still, the embargo ended with a whimper, not a bang. There was no dramatic rise in oil prices, nor had Arab oil power changed U.S. policy. Robert Dunlop, a government consultant and the president of Sun Oil Company, wrote a morality tale to this effect in

---

350 *FRUS, 1964-1968,* XXI, 300. Telegram From the Embassy in Saudi Arabia to the Department of State, August 27, 1967; *FRUS, 1964-1968,* XXI, 301. Telegram From the Embassy in Saudi Arabia to the Department of State, September 7, 1967; *FRUS, 1964-1968,* XXI, 458. Intelligence Note From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk, September 1, 1967, *Foreign Relations of the United States, 1969-1976,* Vol. XXIV, *Middle East Region and Arabian Peninsula, 1969–1972; Jordan, September 1970* (Washington, D.C.: G. P. O., 2008), 140. National Intelligence Estimate, "The Outlook on Saudi Arabia," April 7, 1970.

351 Telegram From the Embassy in Jordan to the Department of State, "Bundy's July 18 talk with King Hussein," July 20, 1968, NARA, RG 59, CFP 1967-1969, POL 27 ARAB-ISR; *Foreign Relations of the United States, 1964-1968,* Volume XX, *Arab-Israeli Dispute, 1967-68* (Washington: G. P. O., 1999), 148. Special National Intelligence Estimate, "Terrorism and Internal Security in Israel and Jordan," April 18, 1968; *Foreign Relations of the United States, 1969-1976,* Volume XXXVI, *The Energy Crisis, 1969-1974* (Washington, D.C.: G. P. O., 2012), 61. National Intelligence Estimate, November 14, 1970; *FRUS, 1969-1976*, XXXVI, 134. Memorandum of Conversations, "United States and Saudi Arabian Views on Oil and Energy Policy and on the Current OPEC Negotiations," July 26-31, 1971; *FRUS, 1969-1976,* XXIV, 7. Telegram From the Department of State to the Embassies in Saudi Arabia, Kuwait, and Libya, "Arab Governments Financial Support for Fedayeen," April 23, 1969; *FRUS, 1969-1976*, XXIV, 94. Intelligence Memorandum Prepared in the Central Intelligence Agency, March 1971; *FRUS, 1969-1976*, XXIV, 18. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco) to Secretary of State Rogers, January 6, 1970.

352 Kapstein, *The Insecure Alliance*, 125.

Oil magazine. A friend had embarked on that great American summer vacation, a road trip. Throughout his 2000-mile drive, he had been blissfully unaware of the embargo. "It surely did not occur to him that shortly after he started his trip, the most massive disruption of Free World petroleum supplies in history occurred," Dunlop wrote. More to his point, "his fellow-Americans, going about their normal business at work or at play, were untouched too."[353]

The orthodoxy of energy security did not escape unscathed. An immediate renewal of confidence expressed after the Khartoum summit masked the vulnerability exposed by the crisis. The tension between confidence and vulnerability pulled strategic thought about foreign oil in opposite directions. A long memo by the assistant secretary for economic affairs, Anthony Solomon, displayed the conflicting ideas. Solomon described the "doomsday scenario" put forth by Walter Levy. Levy, now a renowned independent analyst, believed the embargo could have ended much worse than it did, with unmanageable shortages that threatened "the united political and oil front of the free world." Although Solomon agreed with Levy's "chamber of horrors" in the event of total oil denial, he doubted that case would ever materialize. In any other case, he wrote, "the national economy itself could be manipulated to provide the resources necessary to sustain the world economy."[354]

Other officials shared Levy's concern. They held a more cautious, nuanced view, in which the politics of decolonization could undermine accepted economic orthodoxies. In late June 1967, CIA director John McCone told the National Security Council that oil could no longer be "dismissed as purely a commercial and vested interest." In the context of the Arab-Israeli conflict, he believed that the corporatist perspective was

---

[353] Robert G. Dunlop, "The Inside Story," *Oil* 28: 3 (April 1968): 7.
[354] Levy, "Oil Power," 652-668; *FRUS* XXXIV*,* 242. Solomon to Katzenbach, June 12, 1967.

increasingly obtuse. "Public indoctrination by Radio Cairo" had placed the "the friendly regimes" in an impossible position. Saudi Arabia, Libya, and Kuwait could not take a public stand against the embargo "for fear of the indignation of the masses which, whipped up by Cairo propaganda, might even cause [their] overthrow." Oil reserves in Western Europe had dropped quickly as a result of Saudi Arabia's policy to avoid shipments through the trans-Arabian pipeline as long as it ran through occupied territory. If production did not resume to pre-1967 levels, it would pose "all kinds of trouble" for the European economy.[355]

The conflicting positions set confidence in opposition to concern, demarcating the boundaries of a debate over energy security that continued through the Cold War and beyond. On one level, the dispute between bureaucratic actors and hired consultants was about the ability of the U.S. government to weather an admittedly ephemeral challenge. But the 1967 oil embargo also revealed deep strains in the corporatist logic that underlay energy security. The disagreement reflected contradictory conceptions of the long-term strategic power of permanent sovereignty, especially in the hands of the oil producers. Many actors began to believe that the oil-producing nations could affect American global priorities.

Along a parallel track, the practice of permanent sovereignty by the Arab producers threatened to unsettle superpower relations. At the beginning of the Tiran crisis, Secretary of State Dean Rusk wrote that the United Arab Republic and the Soviet Union shared the same goals: "Nasser's ascendancy in the Arab world and Soviet control of oil and other interests vital to the security of...the free world generally."[356] Former

---

[355]Memorandum of a Briefing by Director of Central Intelligence McCone, June 29, 1967, LBJL NSF, NSC Special Committee Files, Economic.
[356]Rusk Circular 204952 to All American Diplomatic Posts, May 31, 1967, LBJL NSF 107.

Vice President Richard Nixon agreed. If the situation persisted, he warned Rusk in a June 1967 letter, "we will have given the Soviet Union an unparalleled opportunity to extend its influence in the Arab world to the detriment of vastly important United States and free world interests."[357]

Despite the Kremlin's belligerent Cold War rhetoric, Moscow showed interest in averting conflict.[358] The chief-of-state hot-line, installed after the Cuban Missile Crisis, had been silent since. Now, it had "been revived by the Soviets with a vengeance," one NSC official wrote Eugene Rostow. "We may have something we can build on."[359] Indeed, for some, the desire for order in the Middle East seemed to open the way for a broader superpower détente. Zbigniew Brzezinski, the Columbia University professor on Rusk's Policy Planning Council, used the changing circumstances to draw into sharp focus the relationship between the United States' regional concerns in the Middle East and its global hegemonic responsibilities. A day after the war began, Brzezinski sent a memo to Rostow with a handwritten note attached, "Here's an idea, for what it's worth." Perhaps the "unwanted problems" of the Middle East could be linked to "strategic difficulties" in Vietnam. Following this line of reasoning, the administration could respond to the hot-line renewal with "an act of statesmanship and imagination." Because Soviet leaders seemed "anxious," Johnson could capitulate with "a short and dramatic television speech" linking peace in the Middle East with peace in Vietnam. He could unilaterally proclaim a ceasefire in Southeast Asia and simultaneously call on the Soviet

---

[357]Nixon to Rusk, June 5, 1967, LBJL NSF 107.
[358] Golan, *op. cit.*, 3-19; Guy Laron, "Stepping Back from the Third World: Soviet Policy toward the United Arab Republic, 1965-1967," *Journal of Cold War Studies* 12:4 (Fall 2010): 99-118; Yevgeny Primakov, *Russia and the Arabs: Behind the Scenes in the Middle East from the Cold War to the Present* (New York: Basic Books, 2009), 101-124.
[359]Davis to Rostow, "A Balance Sheet of Three Days," June 7, 1967, LBJL NSF 107.

Union to "encourage Hanoi to halt its military operations, its infiltration, and to begin negotiations."[360]

Although he knew that such an audacious change in policy was implausible, Brzezinski had a point. Cooperation in one region could lead to compromise in another. Invoking the strategy of linkage that was *en vogue* in realist intellectual circles, Brzezinski argued that the Cold War had become a series of inextricable conflicts.[361] Within the dense web, the international economy would increasingly become contested terrain. As concern over the Tiran crisis and embargo demonstrated, the changing circumstances of the international economy had diffused power from the center.[362] Against this backdrop, imaginative reassessments of orthodox Cold War policy became increasingly necessary.[363] In Brzezinski's rendering, the connection of two problems in

---

360 Brzezinski to Rostow, June 7, 1967, "Subject: Sinai and Saigon: Should the Two be Linked?" LBJL NSF 107.

361 On the concept of linkage, Hedley Bull wrote, "Kissinger bears a heavy responsibility for giving currency to this hideous and unnecessary word." See: Bull, "Kissinger: The Primacy of Geopolitics," *International Affairs* 56: 3 (Summer, 1980): 484-487; Henry A. Kissinger, "Continuity and Change in American Foreign Policy," *Society* 15: 1 (1977), 97-103. On the early development of the concept, which began with concerns about the connections between national and international politics, see: James N. Rosenau, ed., *Linkage Politics: Essays on the Convergence of National and International Systems* (New York: Free Press (for the Princeton Center of International Studies, 1969); Henry A. Kissinger, "Domestic Structure and Foreign Policy," *Daedalus* 95 (Spring 1966): 503-29; Daniel Lerner, ed., *Parts and Wholes* (New York: Free Press, 1963); James N. Rosenau, *International Politics and Foreign Policy* (New York: Free Press, 1961); Henry A. Kissinger, *The Policymaker and the Intellectual* (New York: Free Press, 1961); Kenneth N. Waltz, *Man, the State, and War* (New York: Columbia University Press, 1959); Morton A. Kaplan, *System and Process in International Politics* (New York: John Wiley, 1957); George Liska, *International Equilibrium* (Cambridge, Mass.: Harvard University Press, 1957); Robert A. Dahl, *Congress and Foreign Policy* (New York: Harcourt, Brace and Co., 1950); Raymond Aron, *Introduction to the Philosophy of History: An Essay on the Limits of Historical Objectivity* (Boston: Beacon Press, 1961 [1948]).

362 Walt W. Rostow, *The Diffusion of Power: An Essay in Recent History* (New York: Macmillan, 1972).

363 This moves against analyses that hold that the easing of superpower tension allowed the United States to turn its attention to the Third World, opening up a realm of possibilities for diplomacy. See: John Lewis Gaddis, "The Rise, Fall and Future of Détente," *Foreign Affairs* 62: 2 (Winter 1983): 354-377; John Lewis Gaddis, *Strategies of Containment*, 274-308; Jussi M. Hanhimäki, "Ironies and Turning Points: Détente in Perspective," *Reviewing the Cold War: Approaches, Interpretation, Theory,* Odd Arne Westad, ed. (London: Routledge, 2000), 326-342. Since the Cold War remained at the front of policymakers' minds in the 1970s, it seems at least as likely that the diffusion of power forced détente, which would then be

foreign policy within the larger international framework made possible thoughts easing superpower tensions. Brzezinski understood foreign relations as a series of interlocked relationships and used connections between disparate events in the Third World to join the Cold War opponents in an integrated vision of international security.

LONGER PATTERNS IN A MOMENT OF CRISIS

American policymakers recognized that permanent sovereignty posed an acute threat to international economic stability in the summer of 1967. In one sense, the oil embargo was a test of the integrity of national security at a moment of crisis. In this moment, a disturbing pattern quickly emerged: The United States lacked the capacity to obtain a favorable settlement at every turn. The inability to muster either a persuasive maritime argument or a convincing naval force revealed that the U.S. government could employ neither law nor order on its behalf. A hamstrung military suggested the need to reassess the global balance of forces. American diplomacy seemed feeble in the face of the post-colonial politics of permanent sovereignty.

The industrial West nonetheless weathered the embargo with relative ease. Orthodox assumptions about energy security received new and perhaps unwarranted life. Traditional strategic thinking prevailed in the United States and oil policy retained its *ad hoc* character into the Nixon administration. Soon Nixon would reprise Johnson's inability to formulate a policy framework for dealing with the deep-seated political and economic challenges of permanent sovereignty and the Arab oil producers' increasingly sophisticated use of oil power. Washington would continue to lack a coherent policy for dealing with the centrifugal forces unleashed by permanent sovereignty.

---

interpreted as an integrative framework of international security. From this perspective, détente reacted as much to decolonization and the rise of anti-colonial nationalism as it was pro-active.

The events of the summer of 1967 set the stage for even more drastic changes in the international economy in the near future. Over the next two years, the disappearance of U.S. spare production capacity, the formation and radicalization of the Organization of Arab Petroleum Exporting Countries, the British withdrawal from East of Suez, and the Libyan revolution would rapidly alter the postwar petroleum order.[364]

Moderate oil producers would be swept up in the broader stream of Third World permanent sovereignty, the Arab oil weapon redeployed from a regional to an international arena. Even so, the potential lessons of the 1967 oil embargo quickly receded from public memory. The embargo was so quickly forgotten that Henry Kissinger, a year after the much more successful 1973 embargo, could say without a hint of irony, "*One* embargo…should be enough to underline the implications of dependency."[365]

---

[364]Yergin, *The Prize*, 409-430.

[365] Cited in Yuan-li Wu, *Japan's Search for Oil: A Case Study on Economic Nationalism and International Security* (Stanford: Hoover Institution Press, 1977), xiii. Emphasis my own.

Chapter 2: *In the Wake of Withdrawal, 1967-1971*

The Shah is an oriental despot and the oil executives are dinosaurs. If they come to blows it could be the battle of the century.

State Department Oil Expert James Akins, 1968[366]

These countries consider their raw materials as their property. That's just a fact of life.

Anonymous NSC Official, 1971[367]

In general, I don't like to get a brawl started without knowing where the cards are.

Henry Kissinger, 1972[368]

In the early afternoon sun, American consul James Dinsmore stood in line on the Kuwaiti side of the neutral zone. As he awaited the attentions of a Saudi customs clerk, a man suddenly approached his driver and asked pointedly "why he worked for the Americans who were the enemies of the Arabs." An altercation ensued and the consul intervened, pulling his driver back to the car. "Unable to simmer down," Dinsmore's chauffeur revealed that the quarrel was not an isolated incident. He was subject to insults daily. Even children commonly ran alongside his car "to call out 'imperialist.'"[369]

Recorded in June 1969, the above vignette epitomized the growing anxiety American policymakers felt about the future of the Persian Gulf. The evidence available

---

366 Letter, Akins to Dowell, March 18, 1968, National Archives and Records Administration of the United States, Record Group 59: Papers of the Department of State, Central Foreign Policy Files, 1967-1969 (hereafter, NARA, RG 59, CFP 67-69), PET 6 IRAN.

367 Senior Review Group Meeting, August 4, 1971, Digital National Security Archive, Kissinger Transcripts (hereafter DNSA, KT).

368 Telephone Conversation, Kissinger and Connally, July 27, 1972, Richard Nixon Library, Henry A. Kissinger Telephone Transcripts, Chronological File, Box 15, (hereafter, RNL, HAK Telcons, 15).

369 Airgram A-100, Amconsul Dhahran to SecState, "Ugly Americans," June 23, 1969, NARA, RG 59, CFP 67-69, POL SAUD-US.

pointed to one incontrovertible fact: the British announcement in January 1968 of its impending withdrawal from the region, planned for December 1971, threatened regional security. The British imperial project had maintained stability in the region for over a century, suppressing Arab dissidence and keeping deep-rooted Arab-Persian antagonisms dormant. Arab nationalism, barely simmering since June 1967, now threatened to boil over. Reports like Dinsmore's flooded the State Department, with the Arab airwaves often telling the story. Radio stations operating out of Damascus and Baghdad, the public voices of the Syrian and Iraqi governments, continuously attacked Saudi Arabia, Kuwait, and Iran for their coziness with the West. Radio Taiz in Aden added to the anti-Western animus by exhorting South Arabians "to deal British imperialism the death blow."[370]

As countless Arab specialists had predicted since 1947, U.S. support for Israel had severely eroded American popularity.[371] "The Arabs of the Gulf," the National

---

[370]Telegram, AmConsul Aden to SecState, "Morning Sitrep," June 21, 1967, NARA, RG 59, CFP 67-69. Radio Cairo, Radio Damascus, Radio Baghdad, and Radio Sanaa were accompanied by a number of smaller clandestine stations. In the late 1960s, radio reports began to urge individuals to act against imperialism, which coincided with an increase in hijackings. During the October 1973 War, Henry Kissinger emphasized the need to keep American plans secret from "Arab radio." On the State Department's concern with anti-Americanism on the Arab Peninsula and radio broadcasts, which one diplomat characterized as "the constant purveyor of claims to the effect that the U.S. is in the midst of dark plots," see: *FRUS, 1969-1976*, XXXVI, 215. Minutes of Washington Special Actions Group Meeting," October 15, 1973; *FRUS, 1964-1968*, XXI, 408. Telegram From the Embassy in Yemen to the Department of State, September 8, 1966; *FRUS, 1964-1968*, XXI, 152. Telegram From the Department of State to the Embassy in Italy, August 2, 1968; *FRUS, 1964-1968*, XXI, 159. Telegram From the Department of State to the Embassy in Southern Yemen, November 5, 1968; *FRUS, 1964-1968*, XXI, 335. Telegram From the Department of State to the Embassy in Saudi Arabia, May 7, 1964; *FRUS, 1969-1976*, XXIV, 209. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon, September 8, 1970; *FRUS, 1969-1976*, XXIV, 303. Minutes of a Washington Special Actions Group Meeting, September 21, 1970; *FRUS, 1969-1976*, Vol. E-5, *Documents on Iraq and Iran, 1969-1972* (Washington: G. P. O., 2006), 265. Telegram 598 From the Embassy in the United Kingdom to the Department of State, January 23, 1970; *FRUS, 1969-1976*, E-5, 76. Airgram 217 From the Embassy in Iran to the Department of State, July 7, 1970; *FRUS, 1969-1976*, E-5, 321. Memorandum From the President's Deputy Assistant for National Security Affairs (Haig) to the President's Assistant for National Security Affairs (Kissinger), July 28, 1972.

[371] Robert D. Kaplan, *Arabists: The Romance of an American Elite* (New York: The Free Press, 1993), 147-194; Peter L. Hahn, *Caught in the Middle East: US policy toward the Arab-Israeli conflict, 1945-1961* (Chapel Hill: University of North Carolina Press, 2006), 261-294; Michael Cohen, "William A. Eddy, the Oil Lobby, and the Palestine Problem," *Middle Eastern Studies* (Jan. 1994): 166-80.

Security Council wrote gravely in 1970, "are becoming increasingly involved in the Arab/Israeli issue."[372] Withdrawal anxiety was a broadly held feeling. "For God's sake act like Britain!" the normally imperturbable U.S. Secretary of State, Dean Rusk, roared at the British Foreign Secretary, George Brown, when Brown revealed the plan to withdraw from the Trucial States and Bahrain. In this "disturbing and distasteful" meeting, Brown reported, Rusk accused Britain of "opting out of our world responsibilities."[373]

Rusk's dismay was more than the reflexive howl of a frustrated hegemon. Beneath lay a legitimate concern over the future of the region, in which the United States had long relied on British power to defend Western interests. Rusk cabled Brown soon after. The withdrawal would "feed instability in the region."[374] The imperial pull-out faced the lame-duck Johnson administration, to be replaced by that of Richard Nixon in just weeks, with a difficult set of questions. What would happen when the Union Jack rolled down? Would the hidden antagonisms between Iran and its Arab neighbors surface? How would the Soviet Union use its footholds in southern Arabia and Iraq? How would pan-Arabism, increasingly fueled by public outcry over Palestine, affect the course of events? In sum, what mixture of forces would fill the British vacuum?

To meet the challenge, Rusk decided on a policy of building up the conservative monarchies of Iran and Saudi Arabia as regional policemen. Later advertised as the

---

372NSCIG, NEA, "Future of U.S. Policy in the Persian Gulf," February 5, 1970, DNSA, Presidential Directives Part II, PR00508 (hereafter PD II, document number).

373 John Springhall, *Decolonization since 1945* (London: Palgrave, 2001), 94. On the American side: *Foreign Relations of the United States, 1964–1968*, Volume XII, *Western Europe* (Washington: G.P.O., 2001), 285. Telegram From the Department of State to the Embassy in the United Kingdom, January 5, 1968; *FRUS, 1964-1968,* XII, 288. Memorandum of Conversation, January 11, 1968; *FRUS, 1964-1968,* XXI, 122. Briefing Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Battle) to Secretary of State Rusk, January 9, 1968.

374Telno. 184, Foreign Office to Washington, January 6, 1968, National Archives of the United Kingdom, Prime Minister's Office: Correspondence and Papers, 1964-1970, Folder 2209 (hereafter, UKNA, PREM 13/2209).

"Twin Pillars" policy, American encouragement of trans-Gulf cooperation helped fashion a stable United Arab Emirates from the Trucial Sheikhdoms. American policy also was largely successful in tamping down the hostilities between Saudi Arabia and Iran and encouraging the development of an overwhelmingly a pro-Western region.[375]

Success also bred failure. As the Johnson and Nixon administrations worked to bring Iran and Saudi Arabia into closer dialogue, the monarchies used their new strategic position as a lever in their annual earnings negotiations with the multinational oil companies. In an understudied event of great import, the Nixon administration pressured the oil companies to meet the income demands of the Gulf sovereigns. In effect, Nixon and his foreign policy team sided with the oil producing nations in the long-running dispute over permanent sovereignty.

PETRO-POUNDS AND THE BRITISH VACUUM

The change in the valence of permanent sovereignty occurred in complex political and ecominic contexts. Britain's January 1968 decision to withdraw its last imperial troops

---

375 For a literature review, see: Roham Alvandi. "Nixon, Kissinger, and the Shah: The Origins of Iranian Primacy in the Persian Gulf," *Diplomatic History* 36:2 (April 2012): 337-372; Tore Tingvold Petersen, "Crossing the Rubicon? Britain's Withdrawal from the Middle East, 1964–1968: A Bibliographical Review," *The International History Review* 22: 2 (2000): 318-340. See also: D. C. Watt, "The Decision to Withdraw from the Gulf," *Political Quarterly* 39: 3 (1968): 310-321; D.C. Watt, "Britain and the Indian Ocean," *Political Quarterly*, 42: 3 (1971); Wm. Roger Louis, "The British Withdrawal from the Gulf, 1967–71," *Journal of Imperial and Commonwealth History*, 31:1 (2003): 83–108; Shohei Sato, "Britain's Decision to Withdraw from the Persian Gulf, 1964–68: A Pattern and a Puzzle," *Journal of Imperial and Commonwealth History* 37:1 (2009): 99–117; Roham Alvandi, "Muhammad Reza Pahlavi and the Bahrain Question, 1968–1970," *British Journal of Middle Eastern Studies* 27: 2 (2010): 159-177; Helene von Bismarck, "'A Watershed in our Relations with the Trucial States': Great Britain's Policy to Prevent the Opening of an Arab League Office in the Persian Gulf in 1965," *Middle Eastern Studies* 47: 1 (Jan. 2011): 1-24; Rory Cormac, "Coordinating Covert Action: The Case of the Yemen Civil War and the South Arabian Insurgency," *Journal of Strategic Studies* (April 2012); Andrew Johns, "The Johnson Administration, the Shah of Iran, and the Changing Pattern of U.S.-Iranian Relations, 1965–1967: 'Tired of Being Treated like a Schoolboy,'" *Journal of Cold War Studies* 9: 2 (Spring 2007): 64-94; James Bill, *The Eagle and the Lion: The Tragedy of American-Iranian Relations* (New Haven, Conn.: Yale University Press, 1988), 197-198; Michael A. Palmer, *Guardians of the Gulf: A History of America's Expanding Role in the Persian Gulf, 1833-1992* (New York: Free Press, 1992), 85-93; Madawi al-Rasheed, *A History of Saudi Arabia* (New York: Cambridge University Press, 2002), 120-134.

from their East-of-Suez stations in Malaysia, Singapore, and the Persian Gulf had been at least a decade in the making. Employing hindsight, pundits of the day noted that the 1956 Suez Crisis had been the definitive nail in the Empire's coffin.[376] Afterwards, one influential commentator wrote, the "'world role' East of Suez was a piece of humbug."[377]

This sense of inevitability did not exist within the Labour government of Prime Minister Harold Wilson, which had been in office in 1964.[378] Before and even after the oil-induced sterling crisis in the summer of 1967, Wilson's cabinet did not make its decision to remove troops lightly.[379] At the center of the debate was a question of priorities. Was the maintenance of British power abroad worth its cost? Initially, despite obvious signs of economic slowdown, the Wilson government believed it was. "The shadow of economic pressure," Wilson told Rusk in 1964 and Johnson in 1965, did not bring into question the British imperial presence in the Middle East and South Asia. When presenting Britain's annual defense review to U.S. officials in 1966, foreign secretary Michael Stewart confirmed that troops would withdraw from Aden sometime after 1968, but soothed the worried Rusk by telling him that Persian Gulf forces would be increased as a counterweight.[380]

---

376 Winthrop W. Aldrop, "The Suez Crisis: A Footnote to History," *Foreign Affairs* 45: 3 (1967). This view had long been held by many principle players. See Anthony Eden, *Full Circle: The Memoirs of Anthony Eden* (Boston: Houghton Mifflin, 1960); Dwight D. Eisenhower, *The White House Years: Mandate for Change, 1953-1956* (New York: Doubleday, 1963); Harold MacMillan, *Riding the Storm, 1956-1959* (New York: Harper and Row, 1971).

377 Cited in John Darwin, *The Empire Project: The Rise and Fall of the British World-System, 1830-1970* (New York: Cambridge University Press, 2009), 645.

378 For an argument to the contrary, see Tore Tingvold Peterson, *The Decline of the Anglo-American Middle East, 1961-1969* (Brighton: Sussex Academic Press, 2006).

379 See: Simon C. Smith, *Britain's Revival and Fall in the Gulf: Kuwait, Qatar, and the Trucial States* (New York: Routledge, 2004); Phuong Pham, *Ending "East of Suez": The British Decision to Withdraw from Malaysia and Singapore, 1964-1968* (Oxford: Oxford University Press, 2010); Miriam Joyce, "On the Road towards Unity: The Trucial States from a British Perspective, 1960-66," *Middle Eastern Studies*: 35: 2 (Apr. 1999): 45-60.

380 Steve Galpern, *Money, Oil, and Empire in the Middle East: Sterling and Postwar Imperialism, 1944-1971* (Cambridge: Cambridge University Press, 2009), 264.

A rapid sequence of events after the 1967 oil embargo changed the British outlook.[381] The sterling outflow in the month before the Six Day War had increased to the point that Saudi Arabian and Kuwaiti petro-pounds made up the preponderance of the national monetary reserve. In the following month, Libya and Kuwait withdrew a total of 41 official funds from British banks operating in the sterling area.[382] Nasser's public policy of "inducing the Arab nations to move out of sterling" increased pressure for even greater action by the moderate Arab producers.[383] The British Treasury quickly noted that the effects of "abnormal" movements of Arab funds on the pound sterling reserve could not "be at all precise," but by September the Bank of England attributed a net loss of £80 million to Arab actions.[384]

By the end of 1967, the economic effects of the Middle East crisis, the Labour government's reflationary measures, and a national dockworkers strike had coalesced to drain over £500 million from the reserve. The empty coffers led officials at Whitehall to devalue the pound sterling from \$2.80 to \$2.40 on November 18, 1967. The ramifications for the dollar and, more broadly, the international financial system would be great.[385] The sterling devaluation also strengthened the hand of a faction within the British cabinet that sought to cut military expenditures. The combination of a weak

---

381 Keir Thorpe, "The Forgotten Shortage: Britain's Handling of the 1967 Oil Embargo," *Contemporary British History* 21: 2 (2007): 201-222.
382 Bank of England to Rickett, July 10, 1967, UKNA, PREM 13/1628.
383 P.R. Baldwin, Note for the Record, "Kuwait Sterling Balances," June 26, 1967, UKNA, PREM 13/1628.
384 R. G. Lavelle to P. Le Cheminant, "Arab Sterling Balances," September 21, 1967, UKNA, PREM 13/1628.
385 Galpern, *Money, Oil, and Empire*, 269-270; Francis J. Gavin, *Gold, Dollars, and Power: The Politics of International Monetary Relations* (Chapel Hill: University of North Carolina Press, 2004), 176-182. On the attempt to prevent the devaluation: *FRUS, 1964-1968,* XII, 278. Memorandum From the President's Special Assistant (Rostow) to President Johnson, November 13, 1968; *FRUS, 1964-1968,* XII, 279. Circular Telegram From the Department of State to All Posts, November 18, 1968.

pound and continued imperial responsibilities, the cabinet ultimately decided, was not feasible. In early January 1968, at the same time Brown spoke with Rusk, British officials told the Gulf rulers that Harold Wilson would soon announce the British intention to withdraw all Persian Gulf forces by the end of 1971.[386]

It would be difficult to exaggerate the gravity of this decision. By virtue of its massive oil deposits, the Persian Gulf was fundamental to international economic security and strategically significant in the Cold War. When Wilson announced the British departure, nobody knew that by 1971 the United Arab Emirates and an independent Bahrain would come in to being with Saudi and Iranian support, ensuring stability in the lower Arabian Peninsula. Rather, policymakers feared that the Trucial States and Bahrain would join Kuwait, Qatar, Oman, and the Yemens as new and weak states in the region.

An uprising in Aden had taken a turn for the worse in the past year, heightening concern about what could occur in those weak states. The growth of Nasser-inspired Arab nationalism had presented problems for British colonial administrators in southern Arabia for over a decade.[387] Immediately after the June 1967 war, the U.S. consul reported, the situation in Aden had deteriorated "beyond British capacity to repair." What was initially described as a mutiny developed into a majot armed conflict. The mix of British colonial mismanagement and "the growing awareness of Arab interdependence...stimulated by Cairo" was akin to "lighting a match in a prewar Czech

386The remaining detritus of imperial military power made the most vivid sacrifice, but it was far from the only one, as domestic social expenditures took the brunt of spending cuts. Balfour-Paul, *The End of Empire in the Middle East: Britain's Relinquishment of Power in Her Last Three Arab Dependencies* (New York: Cambridge University Press, 2004), 122-125; Saki Dockrill, *Britain's Retreat from East of Suez: The Choice Between Europe and the World? 1945-1968* (New York: Palgrave Macmillan, 2002), 105-121, 210-226; Darwin, *The Empire Project*, 643-644.
387 *FRUS, 1964-1968,* XXI. 61. Intelligence Memorandum, "The Security Situation in Aden," June 9, 1965.

refinery," the consul continued.[388] After several months of brutal repression by British colonial troops, the Marxist National Liberation Front (NLF) came out as the prime local power. When the British High Commissioner recognized the nationalist forces, imperial authority collapsed like a broken accordion. Beleaguered British officials left the colony at the end of 1967.[389] The NLF declared the People's Democratic Republic of South Yemen.[390]

The British transferred some of their forces to the Trucial States, foreign secretary Michael Stewart told Wilson, "to reassure the Shah of Iran and the King of Saudi Arabia about our intentions to maintain and reinforce our position."[391] But ongoing guerrilla warfare in Oman and the new Marxist government in South Yemen presaged a salubrious climate for dissident activity in the Sheikhdoms.[392] Through the Special Police Branch and the more famous 1,400-man gendarmerie force, the Trucial Oman Scouts, one

---

388 Telegram, AmConsul Aden to SecState, "Erosion of British Position in Aden," July 1, 1967, NARA, RG 59, CFP 67-69, POL 23 ADEN; Telegram, AmConsul Aden to Secstate, "Analysis of the June Insurrection in Aden," June 23, 1967, NARA, RG 59, CFP 67-69, POL 23 ADEN.

389 *FRUS, 1964-1968,* XXI, 101. Memorandum of Conversation, August 9, 1967; *FRUS, 1964-1968,* XXI, 110. Paper Prepared in the Department of States, "South Arabian Prospects," November 8, 1967; *FRUS, 1964-1968,* XXI, 116. Information Memorandum From the President's Special Assistant (Rostow) to President Johnson, November 29, 1967; *FRUS, 1964-1968,* XXI, 118. Airgram From the Embassy in the United Kingdom to the Department of State, December 9, 1967.

390 F. Gregory Gause, III, *Saudi-Yemeni Relations: Domestic Structures and Foreign Influences* (New York: Columbia University Press, 1990); J. E. Peterson, *Yemen: The Search for a Modern State* (Baltimore: Johns Hopkins University Press, 1982); Fawaz A. Gerges, "The Kennedy Administration and the Egyptian-Saudi Conflict in Yemen: Co-Opting Arab Nationalism," *Middle East Journal* 49: 2 (Spring 1995): 292-311; Simon C. Smith, "Revolution and Reaction: South Arabia in the Aftermath of the Yemeni Revolution," *The Journal of Imperial and Commonwealth History* 28: 3 (2000): 193-208; W. Taylor Fain, "'Unfortunate Arabia': The United States, Great Britain and Yemen, 1955–63," *Diplomacy & Statecraft* 12: 2 (2001): 125-152.

391 Stewart to Wilson, "The Persian Gulf," January 25, 1966, UKNA, PREM 13/2209.

392 *FRUS, 1964-1968,* XXI, 125. Research Memorandum From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk, January 25, 1968; *FRUS, 1964-1968,* XXI, 139. Intelligence Report, March 1, 1968.

primary function of the British presence in the lower Gulf was to provide an effective police intelligence capability for curbing dissident activities.[393]

The reaction of Persian Gulf leaders to the withdrawal was as serious as that of Rusk. On a whirlwind tour the following week, the British Minister of State met with the rulers of Bahrain, Qatar, Abu Dhabi, Kuwait, Saudi Arabia, and Iran. The Kuwaiti foreign minister predicted that "there would be chaos" when the British left. The withdrawal "would make way for Soviet influence, which was already spreading fast in the Yemeni Republic and South Yemen." The Bahraini ruler expressed his "profound shock" at the British decision.[394] According to the British Special Commissioner, Sir William Luce, the fears of the smaller states reflected "their qualms at the prospect of moving into the harsh and dangerous world of independence and their anxiety to shelter for a little longer under our shield."[395]

Cold War and regional issues complicated matters. Even before the withdrawal announcement, the weakened British position in the Middle East had caused concern. The Shah had begun a military build-up in the middle of the decade with a targeted completion date of 1968, when the British had initially planned to leave Aden. "The Nasserist threat will become more serious," he predicted to the U.S. ambassador, Armin Meyer.[396] The Shah also consistently expressed concern about the "Soviet threat," telling officials that recent developments in Syria and Iraq created the potential for a "Red

---

393In 1970, British authorities detained leaders of the Marxist National Liberation Front of Bahrain. See Luce, "The Persian Gulf and Abu Dhabi," May 28, 1970, UKNA, PREM 13/3326.

394Telno 19, Bahrain to Foreign Office, "Future of Persian Gulf," January 9, 1968, UKNA, PREM 13/2209; Telno.14, Kuwait to Foreign Office, January 9, 1968, UKNA, PREM 13/2209.

395 Luce, "British Policy in the Persian Gulf: Part I," October 2, 1970, UKNA, Correspondence and Papers of the Prime Minister, 1970-1974, Folder 538 (hereafter, PREM 15/538).

396*FRUS, 1964–1968*, XXII, 161.Telegram From the Embassy in Iran to the Department of State, July 25, 1966.

Crescent" in the region.[397] King Faisal agreed. "No doubt the Gulf will fall into the maelstrom of unrest which prevails throughout the Middle East," he told British foreign secretary Alec Douglas-Home.[398] The Shah and Faisal noted, moreover, that the removal of Egyptian troops in Yemen agreed to as part of the 1967 Khartoum proceedings had created another sort of vacuum. "Soviet arms sent to the Yemen Arab Republic after Egyptian troops had been withdrawn," the State Department reported, "have been very disturbing to Iran and Saudi Arabia."[399]

The British believed regional disputes provided the greatest possibility for instability. Largest of all, Iran resurrected its 200-year-old territorial claim to Bahrain and the "little islands" of the Tunbs and Abu Musa in the Persian Gulf.[400] The potential for conflict between Iran and the Arab states only increased when the Trucial sheikhdoms, including Bahrain, announced the formation of a Federation of Arab Emirates in February 1968, an abrupt decision that worried the British government. The decision was "an ambitious project devised and announced with characteristic Arab lack of preparation," one official wrote with Orientalist deprecation.[401] The Iranian foreign

---

397 Telno. 51, Tehran to Foreign Office, Future of the Persian Gulf, January 8, 1968, PREM 13/2209, UKNA. See also: *FRUS, 1964-1968*, XXII, 180. Telegram From the Embassy in Iran to the Department of State, November 2, 1966; *FRUS, 1964-1968*, XXII, 187. Telegram From the Embassy in Iran to the Department of State, February 15, 1967.

398 Text of Message from King Faisal to Alec Douglas-Home, July 15, 1970, PREM 15/538, UKNA. For Saudi Arabia's consistent emphasis on the threats of communism: *FRUS, 1964-1968,* XXI, 272. Memorandum From the President's Special Assistant (Rostow) to President Johnson, June 18, 1966; *FRUS, 1964-1968,* XXI, 280. Memorandum From the President's Special Assistant (Rostow) to President Johnson, July 14, 1966; *FRUS, 1964-1968,* XXI, 318. Telegram From the Embassy in Saudi Arabia to the Department of State, December 8, 1968.

399 Hughes to Rusk, "Soviet-U.S. Rivalry in Iran," June 6, 1968, DNSA, Iran Revolution, IR00670.

400 Richard A. Mobley, "The Tunbs and Abu Musa Islands: Britain's Perspective," *Middle East Journal* 57: 4 (Autumn 2003): 627-645. The National Party that formed the educated middle-class constituency of Mossadegh's National Front held the same position. Influenced by fascism, the party "harped on the glories of pre-Islamic Aryan Iran and the return of "lost territories—especially Bahrain and parts of Afghanistan and the Caucasus." (Ervand Abrahamiam, *A History of Modern Iran* (Cambridge: Cambridge University Press, 2008), 115.

401 A.M. Palliser, Minute, March 8, 1968, PREM 13/3326, UKNA.

ministry argued against the inclusion of Bahrain in the new federation, commonly referred to as the United Arab Emirates, holding that “the artificial aspect of the hastily-formed confederation clearly shows that it has been made to the order of the Imperialists.”[402] To the United States, the Shah accused the British of “double cross.”[403]

The most disconcerting conflict, over the median line in the Persian Gulf, was between Iran and Saudi Arabia.[404] In a strange twist of fate, the British announcement coincided with the discovery of large oil reserves on the Saudi side of the line. The Shah repudiated an earlier agreement and began to press claim to part of the undersea deposits.[405] In January 1968, Saudi oil minister Ahmed Zaki Yamani complained to the American ambassador in Jidda, Hermann Eilts, of Iranian “deviousness.” Detailing broken promises to stop operations in the area and Iran’s gunboat diplomacy against a seaborne Aramco rig, Yamani held that the Shah could “out-Machiavelli Machiavelli.”[406]

402Telno. Guidance 186, FCO to Certain Missions, July 18, 1968, UKNA, PREM 13/3326.

403Telegram, SecState to Amembassy Iran, “Zahedi’s Washington Visit,” March 16, 1968, NARA, RG 59, CFP 1967-1969, POL 7 IRAN.

404A fourth territorial issue, ownership over the Buraimi oasis, also preoccupied Luce. Under British rule, the oasis belonged partly to Abu Dhabi and partly to the Sultanate of Muscat and Oman. In the early 1950s, Saudi Arabia troops took the oasis, only to be forcibly ejected by the Trucial Oman Scouts. Although never abandoned, the Saudi claim lay dormant for over a decade. After the British decision to withdraw, King Faisal presented the ruler of Abu Dhabi with a new set of demands, including a referendum on the oasis and an immediate halt to drilling by the Abu Dhabi Petroleum Company in the Zarara area near the Saudi border. “The Persian Gulf and Abu Dhabi,” May 28, 1970, UKNA, PREM 13/3326. See: Richard Schofield, “The Crystallisation of a Complex Territorial Dispute: Britain and the Saudi-Abu Dhabi Borderland, 1966–71,” *Journal of Arabian Studies: Arabia, the Gulf, and the Red Sea* 1: 1 (2011): 27-51.

405 On Iranian arguments regarding the median line: *FRUS, 1964-1968,* XXII, 261. Telegram From the Department of State to the Embassy in Iran, March 5, 1968; *FRUS, 1964-1968,* XXII, 249. Telegram From the Embassy in Iran to the Department of State, November 26, 1967; *FRUS, 1964-1968,* XXII, 264. Telegram From the Embassy in Iran to the Department of State, March 6, 1968. For the Saudi perspective, *FRUS, 1964-1968,* XXI, 155. Briefing Memorandum From the Acting Country Director for Iranian Affairs (McClelland) to the Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs (Handley), August 28, 1968; *FRUS, 1964-1968,* XXI, 141. Intelligence Note From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk, March 22, 1968.

406Telegram, AmConsul Dhahran to SecState, January 31, 1968, NARA, RG 59, CFP 1967-1969, POL 7 SAUD.

The difficulties were daunting. Above all, the British and the Americans agreed, most problems arose from potentially aggressive moves by Iran. The CIA noted the Shah's "determination to extend his influence in the Persian Gulf as the British depart."[407] However, neither British nor American officials found this or other related challenges insurmountable. Because of the "endlessly patient negotiating" of the British, it seemed unlikely that the transfer of power would spiral into what one official called "an 'Aden' type of catastrophe."[408]

For one, the Shah lifted Iran's historic claim on Bahrain and its Persian minority. "The last thing he wanted was to have to look after and finance Bahrain," the Shah privately told British and American diplomats.[409] Other leaders also pressured the Shah. The president of Pakistan, Ayub Khan, urged him to "benefit from the lessons of other people's misfortunes and to reflect on the fact that, if India had behaved sensibly after the British had left, none of the problems that had divided the sub-continent thereafter need have arisen." Whether the Shah agreed or disagreed with Ayub's specific historical analysis was irrelevant. The broader lesson was not. The Shah "should seek to reach agreement with the Arabs and to look to the future not to the past." In that meeting, the Shah again admitted that "all he needed was some face-saving solution."[410] Given the domestic political difficulties of reneging on his commitment to the Persian minority in

---

[407]CIA, Board of National Estimates, "The Shah's Increasing Assurance," May 7, 1968, DNSA, IR00663.
[408] Memcon, "US/UK Bilaterals," July 20, 1971, USNA, RG 59, Central Foreign Policy Files 1970-73 (hereafter CFP 70-73), POL UK-US; Telegram, Bahrain to Foreign Office, January 10, 1968, UKNA, PREM 13/2209.
[409]Telno. 51, Tehran to Foreign Office, Future of the Persian Gulf, January 8, 1968, UKNA, PREM 13/2209.
[410] Record of Meeting between Prime Minister, Foreign Secretary, and King Hussein," September 27, 1968, UKNA, PREM 13/2209; Record of conversation between Prime Minister and President of Pakistan, July 31, 1968, UKNA, PREM 13/2209.

Bahrain, the Shah suggested that the British hold a referendum on independence. The policy soon mutated into a poll administered by the UN, and an independent Bahrain.[411]

Likewise, on the issue of the Persian Gulf Median line, the Saudi and Iranian monarchs quickly found a compromise.[412] Finally, although the Sheikh of Sharjah never gave up hope on the Tunbs, the other Sheikhs, the Shah, and Faisal agreed that Iran could station a "token presence" on the islands, even if it did leave a "canker sore" for the Arabs.[413] In short, negotiators were able to iron out the details for each of the territorial issues, paving the way for the stable independence of the United Arab Emirates.

An all-encompassing Saudi-Iranian compromise was key to the resolution of each of the above issues. "Friendly relations between Iran and Saudi Arabia," the Foreign and Commonwealth Office wrote to its ambassadors, "are clearly of fundamental importance."[414] In 1970, the Defense and Overseas Policy Committee also recommended continued high-level discussions with the Shah and King Faisal, "with a view to agreeing...on a pattern for the future of the area."[415] The British relied on Saudi-Iranian goodwill to make progress in the negotiations of the imperial withdrawal. In short time, a reversal of the decision to withdraw became implausible, despite electoral bombast by Conservative leaders promising otherwise.[416]

---

411 *FRUS, 1969-1976,* XXIV, 72. Memorandum of Conversation, March 11, 1969; *FRUS, 1969-1976,* XXIV, 74. Editorial Note; *FRUS, 1969-1976,* XXIV, 102. Memorandum From the President's Deputy Assistant for National Security Affairs (Haig) to President Nixon, July 14, 1971.

412 *FRUS, 1964-1968,* XXI, 156. Memorandum of Conversation, September 13, 1968.

413 Telegram, State to Amembassy UK, Persian Gulf—Talk with British," June 17, 1970, NARA, RG 59, CFP 70–73, POL 33 PERSIAN GULF; Memcon, "US/UK Bilaterals," July 20, 1971, NARA, RG 59, CFP 70-73, POL UK-US; Cabinet Meeting Minutes, "The Persian Gulf," July 22, 1970, UKNA, PREM 15/538; *FRUS, 1969-1976,* XXIV, 122. Intelligence Memorandum Prepared in the Central Intelligence Agency, September 21, 1972.

414 Telno. Guidance 186, FCO to Certain Missions, July 18, 1968, UKNA, PREM 13/3326.

415 Minute, Foreign and Commonwealth Office, July 22, 1970, UKNA, PREM 15/538.

416 Phillip Darby, "Beyond East of Suez," *International Affairs* 46: 4 (Oct. 1970): 655-669.

In 1970, Sir William Luce reported that British policy was likely to be successful in its primary goal to preserve the flow of oil from the Persian Gulf to the West. He recommended that the new Conservative government maintain the original timetable for withdrawal. "It would be a fallacy," he wrote, "to think that the prolongation of protection would provide further opportunity to bring about a viable union."[417]

CREEPING ANXIETY

The Nixon administration also believed the British would leave a stable political situation behind. The National Security and the State Department reported in 1970 that "any major policy reversal is doubtful."[418] Nevertheless, the rising anxiety of policymakers worked against their better judgment. Concern about regional security would cause the U.S. government to take a more hands-on role in oil negotiations between the producing countries and the multinational companies, breaking with the corporatist past of the postwar petroleum order.

If the circumstances did not warrant such a profound governmental intervention, it is also true that the reasons for anxiety were not entirely imaginary. Unrest rocked southern Arabia. By April 1967, officials and news correspondents had begun to describe Aden as "a little Vietnam."[419] The thought of the British vacuum perturbed the top policymakers of the Johnson administration in January 1968. After unsuccessfully attempting to dissuade Brown from the announcement, Rusk said he "smelt the acrid aroma of the *fait accompli*." He was concerned about the possibility of a "chain reaction" in domestic politics regarding the unpopular war in Vietnam: "people would argue: 'If

[417] Alec Douglas-Home, Note for the Prime Minister, "Policy in the Persian Gulf," Attachment, November 26, 1970, UKNA, PREM 15/538.
[418] NSCIG, NEA, "Future of U.S. Policy in the Persian Gulf," February 5, 1970, DNSA, PD II, PR00508.
[419] Telegram, AmEmbassy Cairo to SecState, "South Arabia," April 15, 1967, NARA, RG 59, Central Files 1967-1969, POL 23 ADEN; Hedrick Smith, "Aden is Britain's 'Little Vietnam,'" *New York Times*, July 23, 1967.

the British can do it why can't we.'" Furthermore, the Johnson administration was physically and morally bogged down in Southeast Asia, and could not "take over British commitments." But his primary discontent was with the political and economic ramifications of imperial withdrawal. The British risked "with one gesture flushing away what had been done since the Second World War in bringing stability to the world." The withdrawal, Rusk concluded, "represented a new dismal chapter in the world scene."[420]

Rusk's rant was well-prepared, exposing at least some composure within the Johnson administration. In fact, the United States had anticipated and planned for an eventual British withdrawal, only not so soon. After the British informed the Johnson administration in 1966 of their plan to evacuate Aden by 1968, State Department and NSC officials had begun to plan for a British-less Persian Gulf. Like their British counterparts, Johnson and his advisers settled on a strategic framework in which Saudi Arabia and Iran would police regional security. The president's advisers in the State Department, the National Security Council, and the Department of Defense agreed: trans-Gulf cooperation would provide the cornerstone of regional stability for the indefinite future.[421] Johnson began discussions with the Shah of Iran and King Faisal to "fill the gap the British will leave in South Arabia and the Persian Gulf."[422]

American officials shared the relatively unruffled assessment of their British counterparts regarding the ease of post-imperial transition. To be sure, the question was taken seriously—the Persian Gulf held a unique position in the international economy because of its oil. However, the largest producers were under no serious threat.

---

[420]Record of Meeting between the Foreign Secretary and the U.S. Secretary of State, January 11, 1968, UKNA, PREM 13/3326.

[421] *FRUS, 1964-1968*, XXI, 79. Records of Meetings, October 14, 1966; *FRUS, 1964-1968*, XXI, 131. IRG/NEA 68-8, Record of Meeting, February 1, 1968.

[422] Galpern, *Money, Oil, and Power*, 266-267.

Officials expected the bridge-building exercise between Iran and Saudi Arabia to be a successful endeavor from its inception. The balancing act between the two nations could be achieved through a simple equation, agreed upon in the National Security Council and the State Department. The United States would accept Iran's assumption of the leading role, but urge that the Shah act tactfully.[423] At the same time, policymakers would encourage Saudi Arabia to play a larger role in Gulf affairs. The United States would strengthen Saudi Arabia militarily and encourage what one policy report called "a judicious mixture of subsidies and favors, capitalizing on Faisal's position as the Protector of the Islamic Holy Forces."[424]

Still, officials expected the birth pangs of the Twin Pillars doctrine to be painful at times. The Johnson administration noted that fostering trans-Gulf goodwill was "sure to be an uphill struggle."[425] The points of contention between Saudi Arabia and Iran, if not momentous, had been noteworthy since Faisal's accession to the throne in 1964. Like other OPEC members, the two countries competed for increases in production. The Shah constantly reminded U.S. officials that Saudi oil money reached the Arab front-line through the Khartoum agreement and by other means. In one characteristic instance, he told the American ambassador "with a sardonic smile" that a substantial percentage of Saudi profits went directly to Egypt to finance "Nasser's campaign of vilification of the U.S." This policy, the Shah charged, was comparable to that of interwar American

---

[423] Alvandi, "Nixon, Kissinger, and the Shah," 337-340.

[424] ISA Comments on NSCIG/NEA Paper, "Future U.S. Policy in the Persian Gulf," February 5, 1970, DNSA, PR00507.

[425] Department of State, Background Paper, "Visit of Prime Minister Wilson," February 2, 1968, National Security File, Country File-United Kingdom, Lyndon Baines Johnson Library.

commercial interests exporting "tremendous amounts of scrap iron to Japan only to have it returned in finished form...for four long years in the Pacific."[426]

Furthermore, the Shah did not see Saudi Arabia as a source of regional stability. In October 1969, he told Rusk's replacement at the helm of the State Department, William Rogers, that Saudi Arabia was an unreliable ally due to its limited military ability and weak internal situation.[427] The Shah fueled speculation about unrest in Saudi Arabia by commenting pointedly on reports of the Saudis' problem with Nasserism in the military. As he told one NSC official, King Faisal had been forced to execute one-third of their Air Force, who had "sided with the Egyptians over the Yemen question."[428]

Likewise, the Saudi government had no love lost for the Shah. The Saudi minister of foreign affairs, Omar Saqqaf, complained about his "openly contemptuous" attitude toward Arabs. Saqqaf had been an Arab nationalist in his student days, educated in Cairo and the American University in Beirut, but his grievances with Iran were considered equable by the United States. His "maturity has mellowed his once strident views," the State Department reported.[429] "Iranian territorial ambitions" in the lower Gulf were troublesome, Saqqaf told U.S. officials. Regarding the argument that the Tunbs and Abu Musa were necessary for Iranian security, the Saudi government saw no "requirement for Iranian military occupation...at any time." It was impossible to

---

426 Telegram, AmEmbassy Tehran to DOS, "Oil," November 1969, RNL, National Security File, Country Files - Middle East, Box 601, Folder 3 (hereafter NSF, 601/3). .

427 Memorandum of Conversation, October 22, 1974, RNL, National Security Files, Saunders Files, Box 1245 (hereafter, NSF, 1245), Visit of Shah of Iran, Oct 21–23, 1969.

428Flanigan to Kissinger, December 17, 1969, RNL, NSF, 601/1. This was an overestimation. The consensus view in the State Department was the Saudi Arabia would be stable regime for the foreseeable future. See: Telegram, AmEmbassy Jidda to DOS, December 23, 1969, NARA, RG 59, CFP 1967-1969, POL 23 SAUD; Memorandum, Sisco to Irwin, "Saudi Security Situation – Information Memorandum," December 30, 1969, NARA, RG 59, CFP 1967-1969, POL 23 SAUD.

429 "Sayyid Omar al-Saqqaf," n.d (1969), NARA, RG 59, CFP 1967-1969, POL 7 SAUD; Telegram, AmEmbassy Jidda to SecState, "Saudi-Iranian Relations," April 3, 1969, NARA, RG 59, CFP 1967-1969, POL 7 SAUD.

"overcome suspicion that the long-term Iranian purpose is to use these Islands to dominate the Gulf and Arab littoral states."[430]

The Johnson administration, followed by the Nixon administration, prodded the leaders of both states to begin high-level discussions and discouraged each from taking unilateral measures. Iran and Saudi Arabia were receptive to American policy, and helped resolve two of the biggest headaches in negotiating the British departure: the Saudi-Iranian median line and the question of Bahrain. In April 1969, Saqqaf made what the United States hoped would be the first of "a periodic exchange of visits" between the two countries' foreign ministers. The trip was useful as a step toward high-level dialogue. The Iranian foreign minister, Ardeshir Zahedi, was absent, so the Shah received Saqqaf personally. However, the meeting yielded little on the problem of Iran's aggressive military posture. Especially in the case of Bahrain, Saqqaf felt that the lack of progress was a disappointment. The Shah already had made it clear that any concessions on that issue would have to be part of a "package" certifying Iranian sovereignty over the little islands. Faisal, Saqqaf told Harold Eilts, was "not very satisfied with the results of the trip."[431]

In the following two years, the U.S. and the British governments worked to find a compromise. Explicitly, the United States sought to channel the Shah along constructive lines, reasoning with him to give up his claim on Bahrain and to settle the seabed dispute.[432] Likewise, Saudi Arabia took to conciliation with gusto. Saqqaf told

---

[430]Telegram, AmEmbassy Jidda to SecState, "Saudi-Iranian Relations," April 3, 1969, NARA RG 59, CFP 1967-1969, POL 7 SAUD. The two countries had other ongoing diplomatic haggles, including Saudi refusals of Iranian requests to construct a building in Mecca for Shiite pilgrims and to mark the graves of Shiite martyrs near Medina.

[431] Telegram, AmEmbassy Jidda to SecState, "Saqqaf Visit to Iran," April 30, 1969, NARA, RG 59, CFP 1967-1969, POL 7 SAUD.

[432] AmEmbassy Iran to SecState, "Gulf Islands," November 15, 1971, RNL, NSF 602, Iran, Vol. IV.

Ambassador Eilts that Saudi policy regarding the British withdrawal was "one of conscious self-restraint to allow the Shah time to find a solution to the Bahrain problem and cement Saudi-Iranian cooperation."[433]

By early 1970, Saudi-Iranian relations were so good that the Shah transferred weapons to Saudi Arabia so the monarchy could drive back Yemeni incursions on its southern border.[434] The centerpiece of trans-Gulf rapprochement continued to be improved communication, by which the United States consistently reminded both countries that they shared common security goals, particularly opposition to an increased Soviet or radical Arab presence. In his last meeting with the Shah before leaving the White House, Johnson personally expressed his pleasure at the Shah's recent visit to Jidda, first suggested by U.S. officials.[435] Days before leaving office, Rusk wrote to Eilts that he hoped periodic meetings between Saqqaf and Zahedi would "presage even greater cooperation between two powers on Gulf affairs."[436] In another report, the NSC noted that Iranian-Saudi communication was the "best insurance against change in the present favorable environment for U.S. interests."[437]

State Department officials at the Near East desk consistently observed that the threats to the strategically significant region were modest. All the same, many American officials employed language and analysis characterized by a sense of impending crisis.

---

433 Telegram, AmEmbassy Jidda to SecState, "Saudi Policy in the Gulf," April 3, 1969, NARA, RG 59, CFP 1967-1969, POL 7 SAUD; *FRUS, 1969-1976*, XXXIV, 98. Memorandum From Harold Saunders and Rosemary Neaher of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger), May 19, 1971.

434 Amconsul Dhahran to SecState, January 28, 1970, RNL, NSF 629, Saudi Arabia, Vol. I; Amembassy Tehran to SecState, April 15, 1970, NARA, RG 59, CFP 1970-1973, DEF 1 NEAR E.

435 W.W. Rostow to Johnson, "Checklist for Your Talk with the Shah," June 12, 1968, LBJL, NSF, Saunders File.

436 Telegram, Department of State to Jidda, "Saqqaf Trip," January 4, 1969, NARA, RG 59, Central Files 1967-1969, POL 7 SAUD.

437 Hughes to Rusk, "Soviet-U.S. Rivalry in Iran," June 6, 1968, DNSA, IR00670.

According to these anxious appraisals, the British withdrawal had revived Soviet interest. "Together with the Iranian plateau, the region forms the keystone in an arch of non-Communist countries stretching from Africa to South Asia," the Assistant Secretary of State for Near Eastern Affairs, Luke Battle, wrote Rusk. The naval command of the U.S. Mideast Forces, just one flagship and two destroyers operating out of Bahrain, would be the only outside military force stationed in the eastern Arab world. "Russian emissaries were active in Kuwait and down the Gulf in the 1890s," Battle continued. The recently published Molotov-Ribbentrop correspondence of 1939 also pointed towards lingering Soviet ambitions in the area.[438] "The Soviet Union is seeking...to take a direct role in Persian Gulf political affairs now that the UK plans to withdraw," another State Department report warned in 1968. "The Soviets already have attacked as 'neocolonialist' the U.S. position that countries in the vicinity of the Gulf should provide for its peace and security on their own."[439] This reflected a broader trend in Soviet activity in the Middle East and North Africa. As a State-Defense interdepartmental group put it, "In recent years, the USSR has masked its direct threat to Europe by proclaiming a desire for détente but has continued that threat indirectly by its thrust into the Mediterranean."[440]

According to this position, held by officials in the State Department, the NSC, the CIA, and the armed forces, recent inroads in the Arab world, especially support for the UAR, Algeria, Iraq, and Syria, advanced the Soviet thrust. At the same time, Eugene Rostow noted Kremlin statements that American interests in the Persian Gulf were

---

438Battle to Rusk, "Outlook in the Persian Gulf States," February 22, 1968, NARA, RG 59, CFP 1967-69, POL 33 PERSIAN GULF.
439Hughes to Rusk, "Soviet-U.S. Rivalry in Iran," June 6, 1968, DNSA, IR00670.
440 *FRUS 1964-1968*, XXI, 22. Report Prepared by the Special State-Defense Study Group, "Near East, North Africa, and the Horn of Africa," July 17, 1967.

"directed against the security of the southern borders of the Soviet Union."[441] Dean Rusk also reminded Johnson, "The Soviet aim is to break up the Irano-American relationship and eventually to establish Soviet influence and presence in the Persian Gulf area."[442]

Still, most American policymakers understood the unlikelihood that Soviet objectives, or at least their perception of them, would be met. For one thing, the Cold War seemed more fungible in the Middle East. Iran had long used the superpower rivalry to its advantage. In 1965, the Shah accepted a $289 million credit from Moscow for the Isafahan steel mill, a development project Western companies had turned down.[443] In 1967, the two countries signed a five-year trade agreement and an arms deal, involving the extension of a $110 million credit for tanks and anti-aircraft weapons.[444] At the same time, the Shah took an overt anti-communist stance with U.S. officials, pragmatically explaining his Soviet contacts as necessary given the shortcomings of American offers. "The Soviets could get both Iraq and Syria in their clutches," he told the U.S ambassador in one instance. "Particularly since they are doing so well [in the] triangle of Cairo, Aden-Yemen, and Djibouti this would place them in a dominating position in the Mideast."[445]

Noting both the Shah's creative geography and the weakness of Arab nationalists in the region, more serene voices muffled the outcry. "The well-known themes," the ambassador to Iran wrote home after the above conversation, "included...the readiness of

---

441 Telegram, SecState to Amembassy Iran, Marcdh 8, 1968, RG 59, CFP 67-69, POL IRAN-US.
442 Rusk to Johnson, "Your Meeting with the Shah of Iran," August 15, 1967, Johnson Library, National Security File, Country File, Iran.
443 *FRUS, 1964-1968,* XXII, 113. Memorandum for the Record, December 21, 1965; *FRUS, 1964-1968,* XXII, 123. Telegram From the Embassy in Iran to the Department of State, March 14, 1966; *FRUS, 1964-1968,* XXII, 127. Memorandum Prepared in the Central Intelligence Agency, March 30, 1966.
444 CIA Intelligence Memorandum, "The Shah of Iran and His Policies," June 5, 1967, LBJL, NSF, Country File, Iran, Vol. II.
445 *FRUS, 1964-1968,* XXII, 255. Telegram, Amembassy Iran to SecState, December 29, 1967.

Arabs to serve as Commie tools."[446] The CIA agreed that the Shah's "fear" of the Soviet Union was largely simulated. The Shah was not "greatly worried about the Soviet threat."[447]

Calm prevailed at the end of the Johnson administration. "While the British announcement will give radical political movements in the Gulf a psychological shot in the arm," the State Department advised, "we do not expect it to lead to any dramatic political future."[448] Policymakers generally accepted that the resounding Egyptian defeat in the June 1967 war and Nasser's subsequent withdrawal of forces from Yemen removed another source of instability. In early 1968, Johnson's senior interdepartmental group agreed: "the chances are reasonably good that general stability will be maintained in the Gulf region."[449] Later, the NSC reported that any instability was "not likely to be of a magnitude seriously to threaten basic U.S. interests."[450]

The Nixon administration also noted the successful cooperation between Saudi Arabia and Iran. As part of an overall review called for by the National Security Advisor, Henry Kissinger, the NSC and State Department undertook a close analysis of Persian Gulf policy. The review group arrived at the same conclusions as its predecessors. The British presence had served historically to "dampen intra-regional antagonisms." Imperial departure naturally gave way to overlapping territorial disputes, "ethnic strife," and religious animosities. Premature withdrawal had allowed radical pressures to advance their agenda in the southern part of the peninsula. Likewise, recent Russian naval visits

---

[446]Telegram, Amembassy Iran to SecState, April 8, 1966, NARA, RG 59, CFP 67-69, POL IRAN-US.
[447]CIA, Board of National Estimates, "The Shah's Increasing Assurance," May 7, 1968, Digital National Security Archive, IR00663.
[448]Department of State, Background Paper, "Visit of Prime Minister Wilson," February 2, 1968, National Security File, Country File-United Kingdom, Lyndon Baines Johnson Library.
[449] IRG/NEA 68-8, Meeting Record, February 1, 1968, *FRUS 1964-1968*, Vol. XXI, 131.
[450]NSCIG, NEA, "Future of U.S. Policy in the Persian Gulf," February 5, 1970, DNSA, PR00508.

to the Gulf, the first since the Czarist regime scouted positions in Kuwait and along the Iranian coast in 1902, raised eyebrows. The broadest goal of U.S. policy, fitting well within the confines of the long-term strategy of containment, was to prevent the Soviet Union from gaining positions that might undermine American strategic interests.[451]

The Nixon administration agreed with its predecessor that the concerns were minimal. The Soviet threat was unlikely to materialize in any grand way in the Persian Gulf, the NSC wrote. Advisers convinced Kissinger to hold off on his initial idea of the United States assuming the "UK role of 'protector.'" The Nixon administration would follow the cautious course previously set. "It would be wrong to assume that when the British leave there will be a vacuum in the Gulf area," the review group wrote. "A new set of interregional relationships will fill the vacuum." A direct American role in the Gulf was inadvisable, because the country could not "be draw into the complex and volatile regional diplomacy."[452] With broad interdepartmental support, the administration made the Twin Pillars policy official in National Security Decision Memorandum 92 in November 1970.[453]

OIL AND ARMS SALES

In the face of the British withdrawal, the United States worked to improve communication between Saudi Arabia and Iran. At the same time, the Twin Pillars policy was part of a broader "Nixon Doctrine" that sought to draw back the direct American military presence in the world.[454] The rise of Iran and Saudi Arabia as regional policemen had a converse effect on American participation in oil negotiations. Iranian

---

[451]NSC Staff, "Persian Gulf," June 4, 1970, RNL NSF Institutional Files (H-Series), H-111.
[452]NSC Staff, "Persian Gulf," June 4, 1970, RNL NSF Institutional Files (H-Series), H-111.
[453]NSDM 92, "U.S. Policy Toward the Persian Gulf," November 7, 1970, RNL, NSF, H-220.
[454] Jeffrey Kimball, "The Nixon Doctrine: A Saga of Misunderstanding," *Presidential Studies Quarterly* 36: 1 (Mar. 2006): 59-74;

and Saudi diplomacy on this front, much of which took the idiom of permanent sovereignty, fueled American anxiety to the point that it spilled into negotiations over oil revenue and arms sales. As a result, the Nixon administration began to participate directly the oil revenue negotiations between the producers and the multinational companies.

American officials understood that the Shah and King Faisal sought to use their new positions in the Cold War for gains in their long-running dispute with the oil companies. The British withdrawal, the ambassador in Tehran wrote after a long discussion with the Shah in early 1968, "will mean the oil consortium being subjected to further pressures at a time when their performance is, however unfairly, unsatisfactory in Iranian eyes."[455] The Shah's repeated invocations of the Cold War and Nasserist extremism, NSC adviser Peter Flanigan wrote Nixon, were "colored by the desire to encourage us to give him favorable oil treatment."[456]

Several factors led American officials to forget or ignore the subtext of Iranian Cold War rhetoric. First, the growing global importance of Saudi and Iranian production helped tip the scales in the producers' favor. The oil industry had undergone a transformation in the past half-decade. Middle Eastern oil had risen to over three-quarters of Western Europe's and almost all of Japan's requirements, and continued to supply most of the oil used by American military forces in Southeast Asia.[457] With production costs roughly a tenth of those of the United States and an annual growth rate of 12 percent since the end of the Second World War, the Middle East provided over a

---

[455]Telegram, Tehran to Foreign Office, "Future of the Persian Gulf," January 10, 1968, UKNA, PREM 13/2209.
[456]Flanigan to Kissinger, December 17, 1969, RNL, NSF, 601/1.
[457] National Security Council, Response to NSSM 9, "Review of the International Situation," January 20, 1969, DNSA, PR000328.

third of "Free World" oil production. It also contained more than two-thirds of reserves. "The simple statistics regarding Middle Eastern oil can only be defined as staggering," the State Department reported.[458]

A second factor involved improvements in Arab technical ability. Over the previous half-decade, indigenous skill levels had increased to the point that national oil companies could manage oil production. The 1967 embargo had failed, the NSC believed, because of the "demonstrated inability of Arabs, without Western supervision, to extract, process, or market the oil." OPEC nations, Arab and non-Arab alike, had long realized the problem. Building on the nationalist tenets of permanent sovereignty, they had made great strides in their technical capacities.[459] In light of their growing expertise, the Near East office reported in December 1967 that the danger of recurrent embargoes required "a careful appraisal."[460]

A third factor was that the Gulf region was of unique financial importance to the United States. The concern with British petro-pounds in 1967 was just an early indicator of the oil producers' financial clout. The net dollar inflow of American companies' oil profits from the region was approximately $1.5 billion. Oil money had reduced the United States' deficit by more than 40 percent in the past five years, the Senior Interdepartmental Group for NSDM 92 estimated. Just as petro-pounds had played a crucial part in the British decision to devalue the sterling, so too petrodollars became an outsized presence in American strategic thinking. In 1968 alone, Saudi and Kuwaiti investments in the United States grew by over $100 million.[461]

---

[458] *FRUS, 1964-1968,* XXI, 19. "Paper Prepared in the Department of State," February 8, 1967.
[459]Hughes to Rusk, "Soviet-U.S. Rivalry in Iran," June 6, 1968, DNSA, IR00670.
[460], *FRUS, 1964-1968*, XXI, 26. NEA, "Western Interests in Arab Oil," December 27, 1967
[461]NSCIG, NEA, "Future of U.S. Policy in the Persian Gulf," February 5, 1970, DNSA, PR00508.

A final factor affected the oil negotiations more drastically—the longstanding ability of the companies to restrict production in Saudi Arabia and Iran. A series of secret agreements to limit the flow of oil, unknown to Middle Eastern sovereigns, quickly unraveled after the 1967 war. After the reinstatement of the Shah in 1953, the oil companies used several different means to prevent too much oil from flooding the market. Most important by far, the companies maintained a secret system of "off-take agreements" for Saudi Arabia and Iran, the two largest producers. These mechanisms penalized partners of the Iran Consortium and Aramco for producing more oil than a carefully calculated mean of the partners' total demands from the previous year.[462]

For a decade, the boardroom deal effectively limited both Iranian and Saudi production to levels that would not depress world oil prices. However, the Shah declared the modernizing "White Revolution" in 1963, a process that relied almost exclusively on greater oil revenue. Iranian revenue demands became a driving force in the annual revenue negotiations. In 1966, after the Shah announced an ambitious five-year development plan, the Iranian government began a press campaign that threatened the Consortium with partial nationalization if production were not drastically increased.[463]

The U.S. government learned of the secret off-take agreements as early as 1962.[464] Walter Levy warned Eugene Rostow in 1966 that "the very fact that a restricted secret agreement exists would be political dynamite in the hands of the Iranians" if the negotiations between the Shah and the Consortium broke down. Following the corporatist policy of separating economic questions from political ones, the Johnson administration

---

[462] Peter R. Odell, "The Significance of Oil," *Journal of Contemporary History* 3: 3 (Jul. 1968): 93-110.
[463] *FRUS, 1964-1968*, XXII, 147. Research Memorandum From the Director of the Bureau of Intelligence and Research (Hughes) to Acting Secretary of State Ball, June 3, 1966; *FRUS, 1964-1968*, XXII, 135. Intelligence Memorandum, May 6, 1966; *FRUS, 1964-1968*, XXII, 121. Telegram From the Embassy in Iran to the Department of State, March 2, 1966.
[464] Thanks to David Painter for this note.

ignored the provision. Soon after, a State Department memo concluded that the off-take agreement was "a highly sensitive, inter-company commercial policy matter." As such, it was "desirable for the U.S. government to limit its involvement."[465] The companies agreed and told the U.S. government that any increases in Iran's off-take in 1966 would result in similar demands from the Arab producers.[466]

The U.S. government maintained its position of official neutrality in 1967. The Iranian ambassador to Washington, Husang Ansary, pressed the U.S. Assistant Secretary of State for Economic Affairs, Anthony Solomon, to compel the Consortium to meet Iranian revenue requirements. Solomon refused, telling Ansary that "the Iranian requests... here and in Tehran to insure greatly increased petroleum exports from Iran had caused us considerable difficulty." The State Department commiserated with the need for more development capital to modernize Iran, but could not "translate this sympathy...into pressures on the American companies in the Consortium to comply with Iranian wishes." To explain, Solomon reverted to the corporatist mantra of the business-government separation in U.S. foreign policy. In the "free system, companies act according to their commercial interests rather than following instruction from the U.S. Government," he told Asnary.[467] In less doctrinaire terms, Solomon also informed the British government that there was no need "for the U.S. Government to intercede with the American companies and bring political considerations to their attention."[468]

Solomon nevertheless used the negotiator for Mobil Oil as a vehicle to recommend that the Consortium agree to the Shah's demand that the corporations

---

[465]Sampson, *The Seven Sisters*, 172.
[466] *FRUS, 1964-1968,* XXII. 179. Briefing Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Hare) to Acting Secretary of State Ball, October 25, 1966.
[467]Memcon, November 1, 1967, NARA, RG 59, CFP 1967–69, PET 6 IRAN.
[468] *FRUS, 1964-1968*, XXXIV, 205. Memorandum of Conversation, March 22, 1967.

liberalize the over-lift agreements.[469] Solomon's small interference, agreed to by the Consortium, was designed with the limited purpose of helping the companies "appreciate the need in making their commercial judgments take into account wider political consideration."[470] Beginning with the slight intrusion, the oil companies found themselves in an increasingly uncomfortable position. In a meeting with oil company executives during revenue negotiations the following year, Eugene Rostow repeated the corporatist mantra. The American government "did not wish to take responsibility or become involved in a commercial negotiation." Still, Rostow reminded the businessmen that the United States had "a national interest in successful and harmonious resolution of the oil negotiations." Given the new security role of the Gulf powers, the oil companies should not restrict production too much for either. He continued: Saudi Arabia and Iran needed increased oil revenues to meet their budget requirements.[471]

The secret off-take agreements had been effective because the four member companies of Aramco also belonged to the Iran Consortium. After the Shah learned about the scheme in December 1967, the United States found it impossible to preserve its policy of keeping its diplomatic distance from oil discussions. The Shah's discovery, which the other Consortium companies believed was leaked by the *Compagnie Française des Pétroles*, changed the tone of the annual revenue negotiations.[472] He used terms "such as 'robbery,' 'thieves,' and some unprintable epithets" to describe the company's behavior to the U.S. ambassador. "If the companies wanted war, they could have it," he

469 Solomon to Rostow, "Status of Iranian-Consortium Negotiations," December 11, 1967, NARA, RG 59, CFP, 1967–69, PET 6 IRAN.
470 *FRUS, 1964-1968*, XXXIV, 203. Memcon, "Iran Consortium Exports," March 3, 1967.
471 "Memcon, Iran Oil Situation," March 6, 1968, RG 59, Central Files 1967-1969, PET 6 IRAN, USNA.
472 Volume 1D, "New Aramco Offtake Agreements and Related Documents," Box 2.207/G138, ExxonMobil Historical Collection, Dolph Briscoe Center for American History, The University of Texas at Austin.

fumed. "This time it would not be with a Mossadegh, but with a united Iran behind the Shah himself."[473]

Like Mossadegh, and not unaware of the irony, the Shah argued that the secret off-take agreements flouted the principle of permanent sovereignty. He grounded his argument in the same questions of imperialism, decolonization, and sovereignty that many Third World leaders had incorporated into their intellectual and political programs for development. "The consortium is sitting astride Iran's vast reserves," he told the U.S. ambassador. It was unacceptable for boardroom decisions to prescribe the pace of his country's economic growth. The Shah went on to threaten national legislation, adding that "Iraq had long since found companies submissive to such measures." He then demanded increased oil liftings meet a total income of $5.9 billion over five years. This sum meant an average yearly revenue increase of 20 percent.[474]

After meeting with the Shah, the ambassador in Iran wondered "whether the time may not have come for the U.S. government to caution the companies against such 'restraint of trade.'"[475] The State Department agreed and used strong language "to urge the companies be as generous as they can in making their next offer to the Iranians." If the Iran Consortium did not do so, Anthony Solomon worried, "we might have to take a more active role in the talks."[476] The companies nonetheless resisted the Shah's demands, and Iran accepted production levels that were $40 million less than stipulated

---

[473]Telegram, Amembassy Iran to SecState, December 26, 1967, *FRUS 1964-1968,* Volume XXII, *Iran*, 255.
[474] Solomon to Rostow, "Status of Iranian-Consortium Negotiations," December 11, 1967, NARA, RG 59, CFP 1967–69, PET 6 IRAN.
[475] *FRUS, 1964-1968*, XXXIV, 217. Telegram From the Embassy in Iran to the Department of State, February 23, 1968.
[476] Solomon to Rostow, "Status of Iranian-Consortium Negotiations," December 11, 1967, NARA, RG 59, CFP 1967–69, PET 6 IRAN.

for 1968. Officials prepared for another round of negotiations. "Although the Shah has backed down, the issue is far from settled," the CIA warned.[477]

By mid-1968, the Shah put forth further "incessant demands," according to the U.S. ambassador, despite the fact that the State Department had "assisted the Shah in satisfactory solution...in the crisis with the consortium" months earlier.[478] The CIA reported that the Shah would continue to press the consortium "vigorously for vast amounts of revenue." The Shah's demands exemplified his metamorphosis "from a timorous, titular monarch into a self-confident potentate," the CIA believed, a transformation symbolized by his elaborate self-coronation in October 1967.[479] American policymakers noted that permanent sovereignty informed the Iranian stance. "In Iran's dealings with the Western oil consortium, the Shah has cultivated an image of a nationalist hero fighting against foreign exploitation," one State Department official reported to Rusk. "He has striven to succeed the late Mossadegh in that role."[480]

The State Department's oil expert, James Akins, was blunter: "The Shah is an oriental despot and the oil executives are dinosaurs. If they come to blows it could be the battle of the century."[481] To improve his position, the Shah began to exploit his Cold War status to shape oil negotiations. Military desires contolled the dialogue. In 1972, Nixon famously overrode State Department concerns that the sale to Iran of the F-15, the United

---

477CIA, Board of National Estimates, "The Shah's Increasing Assurance," May 7, 1968, Digital National Security Archive, IR00663.
478Amembassy Iran to SecState, March 5, 1968, NARA, RG 59, CFP 1967-1969, POL IRAN-US; Airgram 417, Amembassy Iran to SecState, February 10, 1968, NARA, RG 59, CFP 1967-1969, POL 33 PERSIAN GULF.
479CIA, Board of National Estimates, "The Shah's Increasing Assurance," May 7, 1968, DNSA, IR00663.
480 Research Memorandum, Hughes to Rusk, "The Shah of Iran as a Nationalist," March 27, 1968, NARA, RG 59, CFP 1967-1969, POL 15-1 IRAN.
481 Letter, Akins to Dowell, March 18, 1968, NARA, RG 59, CFP 1967-1969, PET 6 IRAN.

States' most advanced fighter plane, might lead to increased Soviet sales to Iraq and Syria, exacerbating the regional arms race.[482]

The momentous decision to "hand the Shah the keys to the store," in the words of William Bundy, had precedents. The United States shifted arms supply for Iran from a grant basis to credit sales in 1964 because the Johnson administration considered Iran wealthy enough to pay. In 1966, the U.S. refused to extend credit and the Shah concluded a $110 million arms purchase agreement with the Soviet Union.[483] The State Department noted the confluence of the British decision to withdraw from Aden and the Soviet sale. Harold Saunders wrote that the Johnson administration was "increasingly aware of the Shah's legitimate interest in the Persian Gulf and is working its way to encouraging him to take a larger role there."[484]

After the Six-Day War, Johnson stated publicly that the United States would terminate the nascent regional arms race. He described the "waste and the futility" of ballooning military budgets and called for the investment of the region's "scarce resources" in programs of economic and social development.[485] Throughout 1967 and 1968, the Shah held otherwise. "Present developments in the Mideast underscore the need for Iran to develop an adequate defense capability," he told the U.S. ambassador.[486] Although Johnson claimed that "America has always opposed this arms race," Dean Rusk

---

482 William P. Bundy, *A Tangled Web: The Making of Foreign Policy in the Nixon Presidency*, 330-331. Bundy rightly disputes Kissinger's claim in his memoirs that Iranian military purchases did not substantially increase until the Ford and Carter administrations, but he and other scholars have underestimated the importance of precedent in these sales.

483 *FRUS, 1964-1968*, XXII, 8. Letter From President Johnson to the Shah of Iran, March 19, 1964; *FRUS, 1964-1968*, XXII, 136. Memorandum From the President's Special Assistant (Rostow) to President Johnson, May 12, 1966.

484 Saunders to Wriggins, July 14, 1966, LBJL, NSF, Saunders Files, Iran, 4/1/66-12/31/67.

485 Lyndon B. Johnson, "Address at the State Department's Foreign Policy Conference," June 19, 1967, John T. Woolley and Gerhard Peters, *The American Presidency Project* [online].

486 *FRUS, 1964-1968*, XXII, 203. Telegram From the Embassy in Iran to the Department of State, May 23, 1967.

noted to the president a month later that “Iran is one of the countries we have had in mind in pressing the Congress for authority to continue extending credits for military sales.”[487]

In 1968, the Shah requested a commitment of $600 million in military sales over the next five years. When the Johnson administration hesitated, he threatened again to turn again to the Soviet Union. Deciding “that it could not commit itself to such a long-term arrangement,” the United States offered $75 million of credit for the following year. The Shah responded by describing Soviet offers of destroyers, submarines, and aircraft. “The policy of political maneuvering between East and West” was effective, the State Department reported.[488] The regional heads of the State Department, the NSC, the Department of Defense, and the CIA all recommended increased arms sales because “our arms supply relationship has a vital importance in our overall ties with Iran.”[489]

The regional advisory group continued to express concern, however, over the “major uncertainty” regarding Iran’s ability to pay for these purchases, owing to the ongoing battle between the Shah and the companies over oil revenue projections. Henry Kissinger summed up the relationship between oil revenues and arms sales to Richard Nixon in 1969: “Iran’s future financial soundness is still fragile, depending as it still does on the continued flow of oil revenues at a high level. The Shah annually squeezes the American oil companies as hard as he can to maximize those revenues.” If the Shah squeezed the oil companies “to the breaking point,” his ability to repay the credits for military sales would become a serious burden.[490]

---

[487] Rusk to Johnson, “Your Meeting with the Shah of Iran,” August 15, 1967, LBJL, NSF, Country File, Iran.

[488] Hughes to Rusk, “Soviet-U.S. Rivalry in Iran,” June 6, 1968, DNSA, IR00670.

[489] IRG for Near East and South Asia, Meeting Record, April 5, 1968, LBJL, NSF, Saunders File, Iran , 1/1/69-1/20/69.

[490] *FRUS, 1969-1976*, E-4, 13. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon, April 29, 1969.

In the case of the annual revenue negotiations between Aramco and Saudi Arabia, the link between the British withdrawal and arms sales also provided a useful bargaining chip for the Saudi royal family. The biggest concern for the United States regarding Saudi internal stability in 1967 was the prospect that the Saudi's "already limited resources" would be unable to deter the "hostile forces...following in the British wake." The weakness of Saudi Arabia, the embassy reported, had been dramatized by the "abject Saudi capitulation...when faced with Iranian gunboat diplomacy" in connection with offshore oil prospecting in the center of the Gulf. The Saudi military handicap, expressed under the consistent refrain of "inadequate resources," was echoed throughout the U.S. foreign policy establishment in the late 1960s and early 1970s.[491]

The Johnson administration maintained diplomatic distance from the oil negotiations despite this concern, as it had with Iran. In 1966 and 1967, the administration successfully side-stepped discussions with the Saudi oil minister on production and revenue, citing the corporatist philosophy.[492] As late as 1970, the Department of Defense recommended that the Saudi government undertake a "careful balance between expenditures for military and for civilian development purposes." The Pentagon further suggested that "in times of financial stringency serious consideration might well be given to postponement or scaling down of any major projects."[493]

As it had in the case of the Iran Consortium, the U.S. government also made its way into the annual negotiations. Mid-1969 again proved to be a turning point. The U.S.

---

491 Airgram A-314, AmEmbassy Jidda, "Saudi Arabia Takes another Look at the Arabian Peninsula," February 14, 1968, NARA, RG 59, CFP 1967-1969, POL SAUD.

492 *FRUS, 1964-1968*, XXXIV, 198.Telegram From the Consulate in Dhahran, Saudi Arabia, to the Department of State, December 19, 1966; *FRUS, 1964-1968*, XXI, 223. Letter From John J. McCloy to the President's Special Assistant (Rostow), August 11, 1967.

493 *FRUS, 1969-1976*, XXIV. 144. Letter From the Deputy Secretary of Defense (Packard) to Saudi Arabian Minister of Defense and Aviation Prince Sultan ibn Abd al-Aziz al Saud, September 11, 1970.

ambassador, Hermann Eilts, was central to the change in policy. Prompted by the broad reassessment of U.S. foreign policy by Nixon and Kissinger, Eilts held extensive discussions with Saudi leaders, especially oil minister Ahmed Zaki Yamani and defense minister Prince Sultan. Afterwards, he wrote that "the nature and tenor of U.S.-Saudi relations" would be "strongly influenced by the extent to which we demonstrate willingness to meet legitimate Saudi military needs."[494] In July, Eilts reported that other economic development spending was "scarcely feasible in the current unsettled Middle East situation." Above all, Prince Sultan had told Eilts that Saudi Arabia "must be prepared to defend itself."[495]

The coups in the Sudan, Libya, and Somalia in 1969 intensified Saudi and American concern.[496] The director of the Near East desk, Joseph Sisco, wrote to Secretary of State Rogers in October that the concern regarding the "overthrow the moderate regimes in the Sudan and Libya" had been "further heightened by the arrest of the pro-Nasser officers" in the Saudi military. In turn, Saudi officials had begun to criticize American officials "with displaying little interest in actively supporting our Arab friends and unconcern at what they see as 'the march of communism' in the region." In a pattern that resembled the initial response to the Shah's red-baiting, the Saudi "siege mentality" annoyed Sisco and other Middle East experts. He asked Rogers to remind

---

494 Telegram, AmEmbassy Jidda to SecState, "U.S. Military Sales to Saudi Arabia," February 13, 1969, NARA, RG 59, CFP 1967-1969, DEFE 12-5 SAUD.

495 "Telegram, AmEmbassy Jidda to SecState, "Saudi Arms Purchases," July 24, 1969, RG 59, CFP 1967-1969, DEFE 12-5 SAUD.

496 Telegram, AmEmbassy Jidda to SecState, September 7, 1969, NARA, RG 59, CFP 1967-1969, POL 23–9 LIBYA; Telegram, SecState to Amembassy Khartoum, July 10, 1969, NARA, RG 59, CFP 1967-1969, POL SAUD–US; Intelligence Note 876, Hughes to Rogers, "Arab Summit Ends in Disarray," December 24, 1969, NARA, RG 59, CFP, 1967-1969, POL 7 ARAB SUMMIT; Sisco to Rogers, "Assessment of Rabat Arab Conference—Information Memorandum," January 6, 1970, NARA, RG 59, CFP 1970-1973, POL 7 ARAB; *FRUS, 1969-1976,* XXIV, 140. National Intelligence Estimate, April 7, 1970; *FRUS, 1969-1976*, XXIV, 24. Paper Prepared by the National Security Council Staff, "A U.S. Approach to the Greater Mediterranean Region, June 12, 1970.

Prince Fahd that the Soviets were not "ten feet tall" and that "indigenous factors rather than Moscow-directed Communist conspiracies...were behind the recent coups in the Sudan and Libya."[497]

American poise did not extend into the oil negotiations. Faisal argued consistently that Soviet efforts in Yemen were designed as a springboard for their occupation of Aden and control of the Bab al-Mandeb. Even if certain officials did not fully accept the reasoning of Faisal, The Nixon administration continued to strengthen the counter-subversion capabilities of the Saudi military. The confluence of Saudi pressure with Iranian revenue goals affected the annual negotiations between the companies and their hosts. As the Shah's demands increased, the companies reported that they were "hard-pressed...by the Saudis, who will be anxious to catch up."[498] In August 1969, Eilts wrote that the Saudis believed their shortfalls in offtake and revenue resulted from the preference the oil companies had given to Iranian production. The oil companies were "not sufficiently alive to growing Saudi dissatisfaction on this score."[499] Saudi officials began to insist that the U.S. government to intervene on Saudi Arabia's behalf in the negotiations with Aramco. "The oil companies gave into Shah's pressure over Iranian offtake despite their knowledge that the Shah's performance was largely a bluff," the finance minister of Saudi Arabia held.[500]

In October 1969, Prince Fahd asked both Nixon and William Rogers if the U.S. government could purchase Saudi Arabian oil directly. Although the United States

---

[497] Sisco to Rogers, Briefing Memorandum, "Your Participation in the Prince Fahd Visit," October 16, 1969, NARA, RG 59, CFP 1967-1969, POL 7 SAUD.
[498]Memcon, "Iran Oil Situation," March 6, 1968, NARA, RG 59, Central Files 1967-1969, PET 6 IRAN.
[499] Amembassy Jidda to SecState, August 31, 1969, NARA, RG 59, CFP, 1967-1969, PET 6 SAUD.
[500] Amconsul Dhahran to SecState, August 31, 1969, NARA, RG 59, CFP, 1967-1969, PET 6 SAUD.

referred Fahd's concern to the oil companies, concurrent Iranian and Saudi pressure would soon undermine the corporatist structure of energy security.[501]

PARADISE LOST

In his 1969 meeting with Prince Fahd, Nixon called the Saudi-Iranian relationship "an anchor in a very troubled sea." For Nixon, "it was important to build strong relations among those who have similar views," especially given the imminent departure of the British.[502] As it gripped American policymakers, withdrawal anxiety not only encouraged trans-Gulf cooperation, it also forged a new relationship between the multinational oil companies and oil-producing governments. The oil producers had begun to take the offensive, and companies found it increasingly difficult to fend off Iranian and Saudi production demands. As the Nixon administration became more deeply involved, the new situation would have long-term consequences for the power of permanent sovereignty and the politics of the international economy.

In May 1970, the director of Near East affairs for the National Security Council, Harold Saunders, lavished praise on Nixon's adviser on the international economy, Peter Flanigan. Days earlier, Flanigan had brokered a new revenue deal between Iran and the Consortium. For the time being, the agreement ended the Shah's threats of moving closer to the Soviet Union and his warnings of national legislation against the oil companies. "Due to your efforts with them," Saunders wrote, the companies had "worked in a more flexible manner this year to bridge the gap between their capabilities and Iran's requirements."[503]

---

501 *FRUS, 1969-1976,* XXIV, 131. Memorandum of Conversation, October 13, 1969; *FRUS, 1969-1976,* XXIV, 132. Memorandum of Conversation, October 14, 1969; SecState to AmEmbassy Jidda, October 16, 1969, NARA, RG 59, CFP, 1967-1969, POL 7 SAUD.

502 *FRUS, 1969-1976,* XXIV, 132. Memorandum of Conversation, October 14, 1969.

503 NSC Memorandum, Saunders for Flanigan, "Iranian Consortium Settlement," May 7, 1970, RNL, NSF, 601/1. On Flanigan, see Bamberg, *British Petroleum and Global Oil*, 183.

Flanigan's diplomacy toward the companies was the result of a year of NSC intervention in the bargaining process between the Consortium and the Shah's government. The National Security Council briefed Nixon in January 1969, "The key to our relations with the Shah and his regime is our assistance for the modernization of Iran's armed forces." The Shah's demands for military equipment were "insistent and large, and have increased since the announcement of the British withdrawal from the Gulf." Failure to meet these demands spelled disaster. Unless the United States remained Iran's principal military supplier, the NSC wrote, "our interests in Iran, including our ability to maintain our own strategic interests...will be seriously weakened." American influence required "the maintenance of constructive relations between Iran and the major oil companies."[504] A joint NSC-State Department review group agreed that "the annual disputes" between the Shah and the Consortium were a matter of considerable concern: "the key question is whether the increase in Iran's income from oil will keep pace with the Shah's demands and Iran's expenditures."[505]

In an unrecorded meeting with the Shah in the Oval Office on October 21, 1969, a week after meeting with Prince Fahd, Nixon made a promise along those lines. He instructed Flanigan to tell the American oil companies that it was in the "U.S. national interest" to "make every effort" to close the gap between the company off-take estimate and Iran's projected governmental requirements. In the following months, Flanigan contacted the CEOs of companies to impress "the President's desire, on the basis of the national security interest, that the consortium go a long way toward meeting the $155 million gap."[506]

---

504 "U.S. Relations with Iran," January 1969, RNL, NSF, Box 601/2.

505 *FRUS, 1969-1976,* E-4, 10. Record of National Security Council Interdepartmental Group for Near East and South Asia Meeting, April 3, 1969

506 Flanigan to Kissinger, January 10, 1970, RNL, NSF, 601/1.

The State Department reported to Kissinger that the Shah was "counting heavily on alleged Presidential assurances... given during his October state visit."[507] For their part, the companies protested that Iranian demands were insatiable. Flanigan reported to Nixon in February 1970 that he saw "no prospect of persuading the Consortium." On Flanigan's memo, Nixon wrote in the margin: "Tell them that if they don't help us on this I will redraw the Oil Import Decision. This is an order."[508] The threat worked. The companies agreed on May 7, 1970 to meet the Shah's development needs through production increases and a loan to be repaid in future oil production.[509]

Flanigan's deal marks a signpost in the history of the oil producers' permanent sovereignty and the postwar petroleum order. Officially, American policy was to stand against government-to-government oil negotiations between the producing and consuming countries, because any such development would curtail the major operations in the Gulf by private American companies. The very basis of postwar corporatism was the separation of the questions of oil economics from postcolonial politics. In supporting Iranian revenue demands, the Nixon administration eliminated the gap. Flanigan influenced the company-host country negotiations, which in effect accepted the linkage of international politics and economics.

---

507 Department of State, Memorandum for Mr. Henry A. Kissinger, RNL, NSF, 601/1.
508 Kissinger and Flanigan to Nixon, "Increased Iranian Oil Production through Shipments to Cuba," February 25, 1970, RNL, NSF, 601/1. On the international politics of American import quotas, see: *FRUS, 1969-1976,* XXIV, 35. Memorandum From C. Fred Bergsten of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger), January 9, 1970; *FRUS, 1969-1976,* XXIV, 40. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to the President's Assistant for International Economic Affairs (Flanigan), January 24, 1970; *FRUS, 1969-1976,* XXIV, 42. Memorandum From the Counselor to the President (Harlow) to the President's Assistant for Domestic Affairs (Ehrlichman) and the President's Assistant for International Economic Affairs (Flanigan), February 13, 1970.
509 Peter Flanigan, Memorandum for the President, "Information: Oil Consortium," May 8, 1970, RNL, NSF, 601/ 1.

King Faisal appears to have acted largely independently from his Persian counterpart. Still, the oil revenue negotiations with Saudi Arabia moved along similar lines, as Saudi leadership also used the concern with Nasserist or Soviet-induced radicalism to buttress their production. In December 1970, Saudi Arabia completed the first of the series of negotiations for increased revenue. Following successful Libyan accords that September, the Saudis obtained an agreement that boosted oil revenues by 8 percent. Saudi Arabia reaped further gains in 1971 for its Mediterranean oil. Furthermore, projected output and revenue increases grew rapidly because of continued Western consumption. The State Department wrote that the oil windfalls terminated Saudi Arabia's traditional concern over the strain of defense outlays. Increased revenues provided "considerable scope for increased spending." The Saudi hierarchy's "5% men" and foreign munitions salesmen would drive military spending up in the future. The State Department expected the military budget to rise well past previous estimates, which had been "conceived during a time of financial difficulties."[510]

By then, the Nixon administration was heavily committed to improving Saudi Arabia's defense capability. King Faisal paid an official state visit to Washington in May 1971. According to the NSC, he and Nixon established a "good rapport" and U.S.-Saudi relations begab "to broaden and deepen on the political level."[511] Saudi Arabia used its political position to continue to urge the oil companies to grant it greater control over production. The OPEC countries renewed members' demands for "host-country participation" in existing producing operations in 1971. The Saudi oil minister, Ahmed

---

[510] *FRUS, 1969-1976*, XXIV, 148.CIA, Intelligence Memorandum, "Saudi Arabia's Changed Financial Outlook."
[511] NSC Briefing Paper, "Saudi Arabia," December 14, 1972, RNL, NSF, 1281, Saunders Files.

Zaki Yamani, represented Saudi Arabia, Abu Dhabi, Iraq, and Qatar in negotiations with the companies in March 1972.[512]

At the same time, talks over partial ownership began in Iran between the Shah and the chairman of Exxon. The Iran talks ended in May with an outline of a twenty-year agreement to govern company-country relations. Soon after, the companies accepted Saudi demands for partial ownership of company operations. Citing the "law of changing circumstances" that governed oil politics, the U.S. government contact with the companies, John Irwin, accepted Yamani's argument positing "a new relationship between the oil companies, the producer governments, and the consumers."[513]

The debate over Iranian and Saudi oil resided at the intersection of larger trends in U.S.-Third World affairs. The revenue and participation negotiations marked victories for believers in permanent sovereignty. "These countries consider their raw materials as their property," one American official noted. "That's just a fact of life."[514] Henry Kissinger described the Saudi situation as "a first class brouhaha." Oil executives requested government assistance in the negotiations, and Kissinger declined. "The less I have to do with this the better," he told Exxon President Ken Jamieson.[515] Afterwards, he

---

512 On the history of participation: *FRUS, 1969-1976,* XXXVI, 91. Intelligence Note Prepared in the Bureau of Intelligence and Research, "Oil: New Confrontation over Participation," August 11, 1971; Intelligence Note RECN–22, "Oil: OPEC Demands Participation, New Price Increases," October 13, 1971, NARA, RG 59, CFP 1970-1973, PET 3 OPEC; Hormats to Kissinger, "Oil Companies Faced with New OPEC Negotiating Demands," October 20, 1971, RNL, NSF 367, Subject Files, Oil 1971; Telegram SecState the Embassies in Saudi Arabia, Kuwait, and Iran, "OPEC Participation Bid," January 27, 1972, NARA, RG 59, CFP 1970-1973, PET 3 OPEC; Memorandum of Conversation, "USG Views on SAG Aramco Oil Negotiations," February 21, 1972, NARA, RG 59, Central Files 1970-1973, PET 6 SAUD.

513 Memcon, "Participation and Saudi-U.S. Oil Relations," September 29, 1972, NARA RG 59, CFP 1970-1973, PET SAUD; *FRUS, 1969-1976,* XXXVI, 117. Telegram From the Department of State to the Embassies in All OECD Capitals, "Aramco Accepts Participation Principle," March 11, 1972. On the link between the Iran agreement and participation, see: *FRUS, 1969-1976,* XXXVI, 124. Intelligence Note Prepared in the Bureau of Intelligence and Research, "OPEC Opens Oil Ministers' Meeting in Atmosphere of Uncertainty, June 17, 1972.

514 Senior Review Group Meeting, August 4, 1971, DNSA, Kissinger Transcripts.

515 Telephone Conversation, Kissinger and Jamieson, August 3, 1972, RNL, Henry A. Kissinger Telephone Transcripts, Chronological File, Box 15 (hereafter, HAK Telcons, 15).

told U.S. Treasury Secretary John Connally that even though the executives' "political acumen [was] not up to their income," the Nixon administration could not "do Standard Oil business."[516]

THE LEFTWARD-MOVING CENTER

In an earlier conversation, Kissinger explained to Connally his reason for caution in dealing directly with Yamani and other oil ministers. "In general, I don't like to get a brawl started without knowing where the cards are," he said.[517] It seemed that the cards had already been dealt. The composure the United States exercised in Saudi-Iranian bridge-building between 1968 and 1971 had not transferred into the field of oil. In fact, the support the U.S. government lent to Saudi Arabia and Iran had the effect of strengthening economic nationalism and the oil producers' practice of permanent sovereignty.

"The elimination of the UK military position in the Gulf would be an irreversible decision," an official warned Dean Rusk in January 1968. "[The decision] could be penny-wise, pound-foolish if political changes in the Gulf were to bring about revisions in the terms by which the UK gets its oil."[518] The insight could have been applied more broadly. Following the British decision to withdraw, both Iran and Saudi Arabia sought to increase military spending. The Johnson administration and then the Nixon administration turned to these regional allies to fill the British security vacuum, but initially urged restraint in arms purchases.

The requests by the Twin Pillars became insistent, American restraint proved ephemeral. The Shah and King Faisal used their newly ascendant positions in the Cold

---

516 Telephone Conversation, Kissinger and Connally, August 5, 1972, RNL, HAK Telcons, 15.
517 Telephone Conversation, Kissinger and Connally, July 27, 1972, RNL, HAK Telcons, 15.
518 Briefing Memorandum, Battle to Rusk, January 9, 1968, *FRUS, 1964-1968,* XXI, 256-258.

War to draw the U.S. government into their deliberations with the oil companies. In 1970, the bargaining process between the producer nations and the multinational companies fundamentally changed.

Anxiety about the future of American power became more widespread. Commentators of all stripes debated the practice and often the very nature of international power.[519] By 1971, "oil conservatives" and "oil radicals" would begin to work more closely together. The United States' options for controlling regional events were severely circumscribed. "New winds were now blowing," the Saudi oil minister told the American ambassador, "as marked by Algerian action, and Libyan and Iraqi attitudes."[520] The limitations of the postwar petroleum order became even more evident when faced with the new oil policies from these countries, especially from the Revolutionary Command Councils in Ba'athist Iraq and revolutionary Libya.

---

519 W. W. Rostow, *The Diffusion of Power: An Essay in Recent History* (New York: Macmillan, 1973).
520 AmEmbassy Jidda to SecState, "Discussion re Participation With Min-Pet Yamani," February 17, 1972, NARA, RG 59, CFP 1970-1973, PET 3 OPEC.

Chapter 3: *Arab Oil Belongs to the Arabs, 1967-1973*

In accordance with principles established by the United Nations, the companies cannot … prevent exploitation of Iran's natural resources.

The Shah of Iran, 1970[521]

We and the masses of the people everywhere in this country are today celebrating an important event in our national history – the beginning of the direct national exploitation of oil.

Saddam Hussein, 1972[522]

On October 31, 1967, the American ambassador to Iran, Armin Meyer, joined the Shah at a concert by the Los Angeles Philharmonic in Tehran. On the last leg of a 23-city tour, the orchestra opened with Opus 20 from "Don Juan" by Richard Strauss.[523] At intermission, Meyer mentioned the Iranian revenue windfall from the recent Arab oil embargo, noting especially "how poorly Iraq has been doing as a result of its excesses." Unlike other Arab oil producers, Iraq had not recommenced supply to its regular markets. Furthermore, the country was engaged in a bitter struggle with the Iraq Petroleum Company (IPC), the exploration and production consortium formed by Shell, British Petroleum, the *Compagnie Française des Pétroles*, Esso, and Mobil.[524] The Shah

[521]Memorandum of Conversation, "Iranian Oil Matters," April 1, 1969, LBJL, NSF, 601.
[522]ME/3959/E/1, "E. Kosygin's Visit to Iraq," April 10, 1972, UKNA, Records of the Foreign and Commonwealth Office, Commodities and Oil, Folder 774 (hereafter, FCO 67/774).
[523] "Iran's Shah Lauds L.A. Orchestra," *Los Angeles Times*, November 1, 1967, D1.
[524] For an exhaustive discussion of Iraq-IPC relations based on research in the Total Archives in Paris, see Samir Saul, "Masterly Inactivity as Brinksmanship: The Iraq Petroleum Company's Road to Nationalization," *International History Review* 29: 4 (2007): 746-792. On Iraq and the oil industry: Brandon Wolfe-Hunnicut, The End of the Concessionary Regime: Oil and American Power in Iraq, 1958-1972 (Stanford University, Ph.D., 2011); Edward P. Fitzgerald, "The Iraq Petroleum Company, Standard

responded that the Iraqi government was "totally irrational" and was taking the "poor Iraq people down the same catastrophic road as Mossadegh."[525]

The Shah's invocation of what a State Department once referred to as "Mossadegh madness" was conventional wisdom in the oil industry. Governments and companies alike assumed that the successful boycott of nationalized Iranian oil between 1951 and 1953 would deter similar applications of permanent sovereignty.[526] Three years after the concert, however, the Shah's analogy seemed empty. Ba'athist Iraq did not lose its major markets. To the contrary, the country developed the ability to independently produce and market its oil.

The sophistication of the government-run Iraq National Oil Company (INOC) unnerved oil executives. IPC company lawyers wrote a "letter of warning" to the Italian company Cosindit in May 1970. The company had just inked a nine-year barter deal exchanging future INOC oil for the construction of two refineries and a plastics plant. The letter threatened legal measures against the Italian industrialists as "third party

---

Oil of California, and the Contest for Eastern Arabia, 1930-1933," *International History Review* 13 (August 1991): 441-465; Susan Pederson, "Getting Out of Iraq—in 1932: The League of Nations and the Road to Normative Statehood," *The American Historical Review* (2010); Nathan J. Citino, "Oil and Arab Nationalism in U.S.-Iraqi Relations, 1958-1961," in Kathryn Statler and Andrew Johns, eds. *The Eisenhower Administration, the Third World, and Globalization* (Lanham, MD: Rowan and Littlefield, 2006); William Stivers, *Supremacy and Oil: Iraq, Turkey, and the Anglo-American World Order, 1918-1930* (Ithaca, NY: Cornell University Press, 1982); Marion Farouk Sluglett and Peter Sluglett, *Iraq since 1958: From Revolution to Dictatorship* (London: I. B. Tauris, 1990), 120-123, 145-157; Peter Sluglett, "Progress Postponed: Iraqi Oil Policy, Past, Present and Future," in *Oil in the New World Order*, ed. Kate Gillespie and Clement M. Henry (Gainesville: University of Florida Press, 1995), 227-256; Adil Hussein, *Iraq the Eternal Fire: 1972 Iraqi Oil Nationalization in Perspective*, trans. A.W. Lúlúa (London: Third World Center for Research and Publishing, 1981); Paul Stevens, "Iraqi Oil Policy: 1961-1976," in *Iraq: The Contemporary State*, ed. Tim Niblock, (New York: St. Martin's Press, 1982), 168-190.

525 Telegram, AmEmbassy Iran to DOS, October 31, 1967, NARA, RG 59, PET 6 – IRAN.

526 *FRUS, 1964–1968,* XXI, 19. State Department, "Near East Oil: How Important Is It?" February 8, 1967.

trespassers" to the 1925 concessionary contract between the IPC and Iraq. The lawyers contended that the contract, established for a period of 75 years, gave the IPC sole proprietary rights to oil in "the whole territory of the republic of Iraq."[527]

The letter was one of 56 written between 1964 and 1970 as part of a strategy to prevent successive Iraqi governments and their prospective patrons from signing future contracts for oil from territories nationalized in 1961.[528] The nearly identical letters sought to "deter other companies from seeking to benefit from the IPC's difficulty either by securing a concession for all or part of the disputed area, or by contracting to take oil extracted from that area."[529] The letters warned that the IPC would sue any takers of "hot oil" produced from expropriated areas. The contracts further undermined the company's interests "by helping the Iraqis to develop the oil resources of the expropriated area."[530]

For a time, the letters had the desired effect. However, by early 1970 the dispute was waged in a different international setting, in which the company's legal threats were proven vacuous, their entitlement to the disputed oil illusory. The Ba'ath government nationalized all IPC holdings in June 1972. Although the multinational companies protested, IPC executives realized they had little recourse and accepted the nationalization in 1973.

What had changed between the Iranian nationalization in the early 1950s and Iraqi one in the early 1970s? To be sure, the Iraqi nationalization culminated a power struggle

527 Attachment, Macpherson to Brant, "Italy," March 31, 1970, UKNA, FCO 67/421; Basrah Petroleum Company to Construttori Industriali Italiani, May 12, 1970, FCO 67/422.

528 Attachment, Macpherson to Brant, "Warning Letters," March 31, 1970, FCO 67/421; "Italian Barter Deal May Open New Gate for Iraqi Oil," *Petroleum Intelligence Weekly* 9: 17 (April 27, 1970), 1.

529 Oil Department, "The IPC's interests in Iraq," May 5, 1970, FCO 67/422.

530 Brant, "Iraq and the IPC: Exports of British Equipment," May 17, 1970, FCO 67/422.

between the IPC and successive nationalist governments.[531] But when viewed from a broader perspective, the conflict over the ownership of Iraq's petroleum was much more than a two-sided affair. Working within a shared postcolonial context of permanent sovereignty, oil companies and national governments from the Eastern and Western blocs crossed Cold War lines to sign contracts with the Iraq National Oil Company, helping Iraq develop its oil-producing capacity.

PERMANENT SOVEREIGNTY AND THE COLD WAR

The influence of the idea of permanent sovereignty helped create a new locus of economic and political power in the international community. Rooted in the question of the Third World's place in the post-imperial order, the concept of permanent sovereignty does much to explain major changes in the international economy, including in the postwar petroleum order. As it became an increasingly influential force in international relations in the late 1960s and early 1970s, permanent sovereignty collided with that orthodoxy of the early Cold War, energy security. The debates leading to the June 1972 nationalization of the Iraq Petroleum Company uncover that tension.

The Cold War orthodoxy of energy security can be defined simply as the uninterrupted provision of cheap energy supplies for the United States and its allies. Although arguments linking U.S. national security to the postwar petroleum order can be overstated, policymakers considered cheap and stable oil central to the grand strategy of Cold War containment.[532] As containment proved successful, an emphasis on economic

---

[531] Michael E. Brown, "The Nationalization of the Iraqi Petroleum Company," *International Journal of Middle East Studies* 10: 1 (1979): 107.

[532] For skepticism about the link between foreign oil and national security, see Maurice Adelman, "The Real Oil Problem," *Regulation* 27: 1 (Spring 2004): 16-21. Recently, see: Daniel Yergin, "Ensuring Energy Security," *Foreign Affairs* 85: 2 (Mar.-Apr. 2006): 69-82; Michael Klare and Daniel Volman, "The African 'Oil Rush' and US National Security," *Third World Quarterly* 27: 4 (2006): 609-628; John H.

productivity as an essential weapon became entrenched in U.S. national security thought.[533]

By the mid-1960s many signs pointed toward a new era in which energy insecurity would become as axiomatic as security previously had been. Demand in the industrial countries outstripped supply and American oil production no longer held the surplus productive capacity necessary to control market prices.[534] The structural emphasis on economic factors, however valuable, obscures political trends that were at least as important. At the bare minimum, the development of permanent sovereignty as a potent rallying point, first in theory and increasingly in practice, helps explain energy insecurity. From its origins, the political and economic arguments that comprised the doctrine of permanent sovereignty were inseparable. In a series of books and articles beginning in 1949 and culminating in the 1964 founding of the UN Conference on Trade and Development (UNCTAD) as a Third World think-tank, Raúl Prebisch had used his prominent position to provide intellectual grounding for Third World leaders' familiar calls of neo-colonialism. The terms of trade thesis and the corrective of permanent sovereignty, steeped in a critical interpretation of the imperial foundation of modern economic thought, continued to strike a responsive chord with Third World leaders.

The debates over UNCTAD between 1963 and 1965 demonstrate the broad traction of Prebisch's interpretation of the international economy.[535] Prebisch spoke to

---

Lichtblau, "Oil Imports and National Security: Is There Still a Connection?" *The Energy Journal* 15 (1994): 329-348.

533 Charles S. Maier, 'The Politics of Productivity: Foundations of American Economic Policy after World War II,' *International Organization* 31: 4 (1977): 607-633.

534 Steven A. Schneider, *The Oil Price Revolution* (Baltimore: Johns Hopkins University Press, 1983), 97-134; Richard Vietor, *Energy Policy in America Since 1945* (Cambridge: Cambridge University Press, 1987), 138-143; Yergin, *The Prize*, 567-568.

535 Hans Singer, "Ideas and Policy: The Sources of UNCTAD," *IDS Bulletin* 15 (1984): 14-17; Jagdish Bhagwati, "The Global Age: From a Sceptical South to a Fearful North," *The World Economy* 20: 3 (May 1997), 259-273; H. W. Arndt, *Economic Development: The History of an Idea* (Chicago: University of Chicago Press, 1989), 74-90; Charles Gore, "The Rise and Fall of the Washington Consensus as a

the delegates of the UN Economic and Social Council in 1963, as the considered whether or not to approve the creation of UNCTAD. He told them that he had initially declined an offer to work for the United Nations in 1948 because of his "conviction that the economic thinking of the day was not in line with the realities of the situation in [the developing] countries." In doing so, he "had been afraid that any action taken...might be undermined or thwarted by the predominance of Anglo-Saxon economic ideas." Fifteen years later, that was no longer the case. "All those explosive and revolutionary ideas seem today a mere statement of the obvious," Prebisch said.[536]

Third World leaders should "never be deterred from advocating ideas that were called heretical," he continued. "Intellectual independence" was central to solving the problem of development in the Third World, even more so in an era where economic inequality continued to limit the political freedom inherent in decolonization. The developing countries needed capital to modernize their economies, Prebisch continued. But indigenous capital formation was constantly prevented by the deterioration of terms of trade. Prebisch and others had noted four lamentable trends in the terms of trade for the post-war period: the slow growth in demand for primary products, the decline of the developing countries' share in world trade, the deterioration of commodity prices, and the inability of developing countries to finance their development.[537]

New statistical surveys supported the doctrine of unequal exchange. A report by the General Agreement on Tariffs and Trade, the predecessor to the World Trade

---

Paradigm for Developing Countries," *World Development* 28: 5 (May 2000): 789-804; John Toye, "Keynes and Development Economics: A Sixty-Year Perspective, *Journal of International Development* 18 (2006): 983-995; Joseph L. Love, "The Rise and Decline of Economic Structuralism in Latin America: New Dimensions," *Latin American Research Review* 40: 3 (2005): 100-125; Edgar Dosman, *The Life and Times of Raúl Prebisch, 1901-1986* (Toronto: McGill – Queens University Press, 2008), 379-442.

[536]Economic and Social Council, Thirty-sixth Session, Official Records, July 2, 1963, E/SR.1265.

[537]UNCTAD, First Committee, Note by the Secretariat, "Review of the Long-Term Trends and Prospects for Primary Commodity Producers," March 31, 1964, E/Conf.46/C.5/REC/3.

Organization, provided statistics demonstrating that the volume of exports of industrial countries had increased at nearly double the rate of the developing world between 1928 and 1955. The United Nations' 1962 *World Economic Survey* also held that "developing primary producing countries" had suffered "the long-term deterioration of [their] terms of trade" at an annual decline of around ten percent between 1950 and 1960.[538]

The analysis—supported by the scholarship of Charles Kindleberger, Hans Singer, Rupert Emerson, Gunnar Myrdal, and others—had been vocally espoused by Third World leaders like Sukarno, Nasser, Mossadegh, Jacobo Arbenz, and Kwame Nkrumah. Contradicting classical economic analyses of comparative advantage, these scholars and politicians held that past inequalities had created international terms of trade favoring their own technological prowess, thus forging a potent legacy in which the values of raw materials progressively declined as industrial productivity rose.

Numerous UN delegates voiced their belief in Prebisch's interpretation. Kifle Wodajo, an Ethiopian delegate who had studied the history of his country's foreign relations at the University of Wisconsin, noted the need for forum in which to "discuss primarily the trade relations between the developing countries and the industrial countries in order to provide the former with remunerative prices for their exports."[539] The Indian ambassador, R. K. Nehru, agreed: "In spite of the progress of decolonization, the gap between the developed and less developed nations of the world—the rich and the poor—had not yet closed and in many ways had widened." Like his colleagues, Nehru

---

538UNCTAD, First Committee, Summary Record, Fourth Meeting, April 17, 1964, E/Conf.46/C.1/SR.4.
539Economic and Social Council, Thirty-fifth Session, Official Records," April 18, 1963, E/SR.1262. See also: Kifle Wadojo, Ethiopia's Treaty Relations with Britain, France and Italy, 1884-1914 (M.A., University of Wisconsin, 1959).

emphasized "the important problem of improving the terms of trade for producers of primary commodities."[540]

The annual reports for the regional economic commissions of the United Nations held the same position. U Nyun, the Burmese director of Economic Commission for Asia and the Far East, told the delegates, "Terms of trade continued to be less favorable to the Asian countries."[541] African heads of state had also discussed imperial economic continuity recently in Addis Ababa, where it was jointly decided that "Africa was...conditioned by specific economic ties with the former metropolitan countries." In the most recent Economic Commission for Africa session, the majority of countries circulated reports about their own "deterioration in the terms of trade." Countries continued to depend on a narrow range of export commodities, and remained vulnerable to short-term price fluctuations.[542]

The Economic Commissions for Asia and the Far East and Africa had joined the Latin American countries in stressing the need to take international measures to reset the terms of trade. Eastern European nations, both nonaligned and communist-bloc, supported the position of the developing nations. The representative from Yugoslavia, Miso Pavicevic, argued that questions of development were inherently linked to structure

---

[540]Economic and Social Council, Thirty-sixth Session, Official Records," July 3, 1963, E/SR.1266. As Secretary of External Affairs in the late 1940s, Nehru had taken an uncompromising stance towards continued imperial influence in border areas. See: Simon Smith, French Imperial Outposts in Post-Imperial India, 1947–54," *European History Review* 3: 2 (1996): 187-197.

[541]Economic and Social Council, Thirty-sixth Session, Official Records, July 2, 1963, E/SR.1265; Annual Report of the Economic Commission for Asia and the Far East, E/3735. U Nyun later played the central part in founding the Asian Development Bank. See: Nitish Dutt, "The US and the Asian Development Bank: Origins, Structure and Lending Operations," *Journal of Contemporary Asia* 31: 2 (2001): 241-261; Roy Culpeper, "Regional Development Banks: Exploiting Their Specificity," *Third World Quarterly* 15: 3 (1994): 459-482; *Helping Economic Development in Asia and the Far East: The Work of ECAFE* (United Nations: Office of Public Information, 1964); Michael Haas, "The Asian Development Bank," *International Organization* 28: 2 (March 1974): 281-296.

[542]Economic and Social Council, Thirty-fifth Session, Official Records," April 18, 1963, E/SR.1262; Annual Report of the Economic Commission for Africa, E/3727/Rev.1.

of the international economy.[543] Without changes to that structure, it would be impossible to promote international economic cooperation "on a footing of equality." If the United Nations was to achieve any results, Ladislav Smid of Czechoslovakia held, it needed to concentrate on "the speedy economic decolonization of the under-developed countries." Smid contended that the question was "of a political nature...so dynamic that [it] had an enormous influence on international trade relations."[544]

In the preparatory meetings for the first meeting of UNCTAD, seventeen developing countries submitted a joint statement identifying the terms of trade as the central problem facing the international economy. In a meeting afterwards in Tehran, delegates of the Economic Commission for Asia and the Far East agreed, unanimously adopting a resolution that painted "a clear picture" of the shared problems of the developing world. The resolution of the terms of trade issue would "contribute to...the integrated growth of the world economy as a whole."[545]

A year later, the impact of the notion of permanent sovereignty in Third World politics was palpable in the inaugural meeting of UNCTAD. Khalil Rahman of Pakistan's trade board responded vehemently to a statement by the British representative that the Third World nations should not generalize the terms of trade theory too broadly. "Variation did not falsify the general trend," he said. "[O]verwhelming indications [were] that the terms of trade were falling to the disadvantage of the developing countries," he said. The unfair terms of trade transcended mere economic reasoning—"it was true that every economist had his own view, but the vast majority held that

543 While beyond the scope of this dissertation, the role of Yugoslavia in the Non-Aligned Movement is central. See Roy Allison, *The Soviet Union and the Strategy of Nonalignment in the Third World* (Cambridge: Cambridge University Press, 1988), 21-38; Robert Niebuhr, "Nonalignment as Yugoslavia's Answer to Bloc Politicism" *Journal of Cold War Studies* 13: 1 (Winter 2011): 146-179.
544 Economic and Social Council, Thirty-fifth Session, Official Records, April 17, 1963, E/SR.1261.
545 UNCTAD, First Committee, Summary Record, Fourth Meeting, April 17, 1964, E/Conf.46/C.1/SR.4.

prospects...were very bleak." Oil producers were among the nations that agreed with Rahman. The Iranian delegate stood to express his support, and noted that similar views had been expressed by the representatives from India, Mali, Venezuela, and Argentina. "The fact was," he said, "that the terms of trade of the primary exporting countries had been deteriorating." Immediately after, Joe Appiah of Ghana agreed. "Deteriorating terms of trade" were "an accepted fact."[546] The representatives of Iraq, Nigeria, Bolivia, El Salvador, Costa Rica, Guatemala, Honduras, Nicaragua, and Mauritania tacked on their support for the statement.[547]

The United States joined Great Britain in discussing "the weaknesses of terms of trade analyses and the dangers of studying commodity phenomena from that point of view only."[548] However, it was clear that the thesis outweighed other interpretations. After introductory discussion, the delegates established a series of General Principles for the conference. The first was, "Economic relations between countries...shall be based on respect for the principle of sovereign equality of states, self-determination of peoples, and non-interference in the internal affairs of other countries."[549]

After the conference, Prebisch spoke again to the delegates of the UN Economic and Social Council. If there was any merit in the first meeting of UNCTAD, it was that it "reproduced systematically the ideas that had been gaining ground since Havana," he told

---

[546] Joseph Appiah, *Joe Appiah: The Autobiography of An African Patriot* (New York: Praeger, 1990); Barbara Caine, "Writing Cosmopolitan Lives: Joseph and Kwame Anthony Appiah," *History Workshop Journal* 70: 1 (2010): 152-171; Marc Matera, "Colonial Subjects: Black Intellectuals and the Development of Colonial Studies in Britain," *Journal of British Studies* 49: 2 (April 2010): 388-418; Marc Matera, "Black Internationalism and African and Caribbean Intellectuals in London, 1919 – 50" (PhD, Rutgers University, 2008).

[547]UNCTAD, First Committee, Summary Record, Sixth Meeting, April 20, 1964, E/Conf.46/C.1/SR.6. The position was also supported by Iraq, Jamaica, Tunisia, Turkey, Thailand, Cameroon, Indonesia, Niger, Nigeria, and Chad, who professed to also speak for the countries of the Central African Republic. See UNCTAD, First Committee, Summary Record, Seventh Meeting, May 1, 1964, E/Conf.46/C.1/SR.7.

[548] UNCTAD, First Committee, Summary Record, Seventh Meeting, May 1, 1964, E/Conf.46/C.1/SR.7.

[549] UNCTAD, Fifth Committee, "Expansion of International Trade and It's Significance for Economic Development," June 6, 1964, E/Conf.46/C.5/REC/8, PCL.

them. “[T]he developing countries are determined to interpret current economic and social phenomena in their own way, and provide the solutions which seemed appropriate to them.” The UN Secretary General, the Burmese diplomat U Thant agreed. “The gap between poor and rich is still a problem second to none,” he said. In dealing with the problem of development, U Thant found solace that “the South could now be clearly identified as a large group of seventy-seven votes when it chose to assert itself.” By demonstrating the possibility of “greater cohesion among the less developed countries,” he hoped that the debates over terms of trade and permanent sovereignty would “prove to have been a turning-point in the history of international economic relations.”[550]

The Southern delegates were in unison in their position that their countries should be accorded special treatment in the international economy. From this perspective, it was essential to establish a system of rights and obligations that took account of the different stages of economic development and created opportunities for “equitable international economic relations.” Encouraged by a dramatically enlarged UN membership, Third World economic thought nurtured a growing sense of solidarity between aligned and non-aligned underdeveloped countries. Understood as economic redress for the wrongs of the colonial past, permanent sovereignty derived its diplomatic clout from the belief that the industrialized world had built the international economy on the unequal framework of the past.

[550]Economic and Social Council, Thirty-seventh Session, Official Records, July 16, 1964, E/SR.1320, PCL. On U Thant, see: Ramses Nassif, *U Thant in New York, 1961-1971: A Portrait of the Third UN Secretary-General* (New York: St. Martin’s 1988); U Thant, *View from the United Nations* (New York: Doubleday, 1978); U Thant, “A Burmese View of World Tensions,” *Annals of the American Academy of Political and Social Science*, Vol. 318, Asia and Future World Leadership (Jul. 1958): 34-42; Richard W. Van Wagenen, “The Concept of Community in the United Nations,” *International Organization* 19 (June 1965): 812-827.

For the Secretary of Education of Cameroon, Josue Tetang, the message was clear. UNCTAD represented nothing less than "the expression of the developing countries' awareness that their common interests transcended their particular differences."[551] In an increasingly unified common front, Third World leaders insisted that the economic structure and performance of their countries had been shaped decisively by their colonial experience. Furthermore, their present and future development was being retarded by neocolonial influences.

Oil producers participated actively in this conversation. The delegates from Iran and Iraq were especially active in the Economic and Social Council. The oil procuers' participation also extended beyond individual nations. In 1965, OPEC established official relations with the Economic and Social Council. The official linking of OPEC and the group pleased Iraq's foreign minister, Adnan al-Pachachi. "Such relations," he held, "would be fruitful both for the United Nations and for OPEC."[552] Majid Rahnema, the Under-Secretary of State for Economic and International Affairs of Iran, supported Prebisch's interpretation of world-wide changes in economic thinking. "Ideas which had seemed unpalatable only ten years before were now generally accepted," he noted. "It might therefore be said that a turning point," he continued, echoing U Thant, "had been reached in the evolution of economic thought."[553]

Unfortunately for Rahnema, the turning point had not been accompanied by a "striking change" in "the mechanisms of the international economy." As another step towards adjusting those mechanisms, OPEC adopted a "Declaratory Statement of

---

[551]Economic and Social Council, Thirty-seventh Session, Official Records, July 17, 1964, E/SR.1321.
[552]Economic and Social Council, Thirty-ninth Session, Official Records, June 30, 1965, E/SR.1365.
[553]Economic and Social Council, Thirty-ninth Session, Official Records, July 8, 1965, E/SR.1373. Majid Rahnema, "Participatory Action Research: The 'Last Temptation of Saint' Development," *Alternatives: Global, Local, Political* 15: 2 (Spring 1990): 199-226.

Petroleum Policy in Member Countries" in 1968. The statement emphasized the "inalienable right of all countries to exercise permanent sovereignty over their natural resources in the interest of their national development." The declaration was drafted by Francisco Parra, the Venezuelan Secretary General of OPEC, and the director of the organization's legal department, Hasan Zakariya, an Iraqi lawyer trained at Harvard.[554]

For a growing group of political leaders and intellectuals, the international political economy was a continuation of colonialism, if through different means. Just as William Appleman Williams' "non-colonial imperial expansion" occurred side-by-side with formal colonial rule, so too did decolonization abet a broader Third World understanding of the possibilities of statehood.[555] By the late 1960s, permanent sovereignty came to symbolize the post-colonial determination to move beyond the political sovereignty of decolonization and challenge the inequalities of the international political economy.[556]

In a period in which multinational companies could no longer rely on the intervention of their home governments, as they could in the era of the Big Stick and the Pith Helmet, company lawyers devised other means to defend their interests.[557] The most common tactic was to argue that the inalienable nature of the concessionary rights of the multinational oil companies, even if acquired as part of a colonial or otherwise dependent

---

554 Francisco Parra, "OPEC Secretariat Activities in 1968," *Middle East Economic Survey*, December 27, 2011; Hasan S. Zakariya, "Sovereignty over Natural Resources and the Search for a New International Economic Order," *Natural Resources Forum* 4: 1 (January 1980): 75-84; Hasan S. Zakariya, "The Third World Perspective on Petroleum," *OPEC Review* 9: 3 (September 1985): 243-265.

555 Williams, *The Tragedy of American Diplomacy* (New York: Norton, 1988 [1959]), 50.

556 Mahbub ul Haq, *The Poverty Curtain: Choices for the Third World* (New York: Columbia University Press, 1977); Ali Mazrui, *Towards a Pax Africana: A Study of Ideology and Ambition* (Chicago: University Of Chicago Press, 1967).

557 Theodore Moran, "Transnational Strategies of Protection and Defense by Multinational Corporations: Spreading the Risk and Raising the Cost for Nationalization in Natural Resources," *International Organization* 27: 2 (1973): 273.

relationship, continued after independence.[558] One international lawyer described the principle of "legally acquired rights" as the position that "old investments should not be jeopardized by new laws."[559]

The corporate stance stood squarely against the post-colonial idea that natural resource contracts were steeped in inequality. The legal debate provides a lucid example of how international law, as an endeavor to resolve political disputes, frequently reiterates problems rather than solving them.[560] In the dispute over permanent sovereignty, the General Assembly built on the momentum established in UNCTAD and the Economic and Social Council. A 1966 resolution on "Permanent Sovereignty over Natural Resources" took a stronger stance on the role of foreign capital, charging corporations with the development of "mutually acceptable contractual practices" that would "supplement the efforts undertaken by developing countries." These contracts were explicitly charged with increasing governments' shares in "the administration of enterprises...operated by foreign capital."[561]

The 1966 resolution removed confidence in the sanctity of international contracts.[562] These contracts, of which the largest were the oil concessions, were already viewed in much of the world as part of an inauthentic imperial tradition. National governments including Iraq already understood the concessionary contracts as an affront to their sovereignty. Now they were no longer sacrosanct. Therefore, contracts were

---

558 A painstaking account of this debate can be found in Henry Steiner and Detlev Vagts, *Transnational Legal Problems: Material and Text*, 3rd ed., (Mineola, N.Y.: Foundation Press, 1986): 479-562.
559 Karol Gess, 'Permanent Sovereignty over Natural Resources,' *International and Comparative Law Quarterly* 13 (1964): 442-443.
560 Most recently, see Philippe Sands, *Lawless World: America and the Making and Breaking of Global Rules from FDR's Atlantic Charter to George W. Bush's Illegal War* (New York: Viking, 2005).
561 Charles A. Heller, 'Oil at the United Nation: Permanent Sovereignty—Phase II,' *World Petroleum* 28: 2 (1967): 46.
562 Kenneth Rodman, *Sanctity vs. Sovereignty: The United States and the Nationalization of Natural Resource Investments* (New York: Columbia University Press, 1988), 232-269.

subject to negotiation. The right to abrogate contracts, the very thing oil companies and their governments had feared since the expropriations of the 1930s, passed with near-unanimity in 1966. The passage of the permanent sovereignty resolution in UN squarely placed the weight of international legal credibility on the side of raw material producers.

Cyclical debates in the twentieth century regarding multinational companies demonstrate that disputes over sovereignty wax and wane with the perception of foreign exploitation.[563] The new iteration in the mid-1960s, however, made for terms far different from those that existed during the 1951 Iranian nationalization. The legitimization of permanent sovereignty marked a transfer of legal power. The change was at loggerheads with the postwar petroleum order of the previous two decades and, for many, the unequal economic relationships that characterized the imperialism of the previous two centuries.

OPEC AND PERMANENT SOVEREIGNTY

The shift in legitimacy, moreover, challenged a fundamental tenet of the international economy, the corporatism of the postwar petroleum order. Many events imparted greater power to the members of the Organization of Petroleum Exporting Countries in the late 1960s. In one instance, the "Arab oil weapon" dovetailed neatly with regional politics, as the Shah's opera conversation noted. Pan-Arabism had spread during and after the June 1967 war. By the turn of the decade the diplomatic practice of permanent sovereignty, by Arab and non-Arab oil producers alike, became fused to the question of Palestinian self-determination. The confluence encouraged Iraq to press on with the development of disputed oil reserves.

---

[563] Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, Mass.: Harvard University Press, 1974).

The evolution of the company-government in Iraq provides a marvelous example of the greater role permanent sovereignty began to play as it moved into the arena of the international economy. For Iraq, the adhesion to permanent sovereignty did not begin with independence. The Iraq Petrolem Company signed its first concession under formal mandatory control in 1925, and Great Britain granted Iraq independence in 1932 as a means to avoid League of Nations supervision.[564] The Hashemite monarchy maintained an emphatic pro-Western stance in the following quarter-century, despite intermittent nationalist rhetoric and campaigns to increase royalties.[565]

Nationalist tenets drove government-company relations after the 1958 revolution. The revolutionary government of Abd al-Karim Qasim interpreted the presence of the IPC as a vestige of imperialism. Qasim defiantly confronted the company. He demanded greater production, increases in Iraq's share of the profits, and the relinquishment of a large portion of its concession. In response, the IPC offered similar terms to those accepted by Iran after the reinstatement of the Shah in 1953.[566] Against a domestic backdrop of increasing unrest, Qasim refused.[567] At the same time, the major oil companies cut the posted price of crude oil, shrinking the oil producing countries' revenues by fifteen percent. This was the same price cut led Iran, Kuwait, Saudi Arabia, Qatar, Iraq, and Venezuela to form OPEC in Baghdad in September 1960.[568]

564 Pederson, "Getting Out of Iraq—in 1932," 975-1000; Fitgerald, "The Iraq Petroleum Company," 441-465; Paul Stevens, "Pipelines or Pipe Dreams? Lessons from the History of Arab Transit Pipelines," *Middle East Journal* 54 (2000).

565 D. Silverfarb, "The Revision of Iraq's Oil Concessions, 1949-1952," *Middle Eastern Studies* 23 (1996): 69-95; Johan Franzén, "Development vs. Reform: Attempts at Modernisation during the Twilight of British Influence in Iraq, 1946-1958," *The Journal of Imperial and Commonwealth History* 37: 1 (2009): 77-98.

566Saul, "Masterly Inactivity," 748-758; James Bamberg, *British Petroleum and Global Oil: The Challenge of Nationalism* (Cambridge, Cambridge University Press, 2000), 162-185; George W. Stocking, *Middle East Oil: A Study in Political and Economic Controversy* (Nashville: Vanderbilt University Press, 1970), 201-220.

567 Wolfe-Hunnicut, "The End of the Concessionary Regime," 66-72.

568Bamberg, *British Petroleum*, 141-161; Yergin, *The Prize*, 501-542; Joe Stork, *Middle East Oil and the Energy Crisis* (New York: Monthly Review Press, 1975), 74-108.

Negotiations in Iraq faltered in 1960 and Qasim raised Persian Gulf transit rates to Basrah by 1200 percent. The IPC responded by suspending production for all fields that used the port.[569] After that, mutual animosity scuttled any potential agreement. In late 1961, the government passed Law 80, which expropriated concession areas not under production. The law covered 99.58 percent of the 1925 concession, but the principle bone of contention involved only a small area. Controversially, Law 80 expropriated *all* non-producing areas, including ones that the IPC already had surveyed. The most promising of these was the Rumaila field in southern Iraq. Though the company argued that their legally acquired concessionary rights invalidated the new law, Western purchasers did not boycott Iraqi oil as they had Iranian oil a decade earlier, because Qasim had not nationalized any actual production.[570]

Iraq did not possess the competence to develop the expropriated areas, the fields lay undeveloped, and the oil remained in the ground. The prospects for eventual production improved in the second half of the 1960s. The new technical capacity of Iraqi nationals strengthened the government's hand in the ongoing negotiations with the IPC, which continued to produce all Iraqi oil.

Syrian nationalism played a part in the process. In August 1966, an extreme wing of the Syrian Ba'ath Party took control of the national government. Based on the increased capacity and lower average costs of oil sent through the pipeline to Banias, the

---

[569]Brown, "Nationalization,"108-109.

[570] *Foreign Relations of the United States 1961–1963,* Volume XVII, *Near East, 1961–1962* (Washington: G. P. O, 183. National Intelligence Estimate, January 31, 1962; *FRUS, 1961-1963,* XVII, 150. Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Talbot) to the Under Secretary of State (Ball), December 18, 1961; *FRUS, 1961-1963,* XVII, 156. Memorandum From Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy), December 29, 1961.

government sought to raise the fees for Mediterranean-bound crude. After the IPC refused to negotiate, Syria unilaterally increased transit and loading fees. The Syrian Ba'athists declared the conflict "[a]n episode in a broader struggle to free the Arab nation from the domination of Western imperialism and exploitation by oil monopolists."[571] Soon after, the government argued that Arab oil was a "tool for liberation" and "fuel to 'burn imperialism.'" Syrian action also fell within the broader Third World attempts to use natural resources to "preserve peoples' rights."[572]

Abdullah al-Tariki, the former Saudi oil minister, also commented on the IPC situation from his offices in Beirut. The concession had been "concluded by unequal parties" and reinforced the power of the IPC as a "government within a government," the editor of *Arab Oil and Gas* wrote in *Al-Thawra*, the leading Baghdad newspaper. "Governments of civilized countries do not resort to negotiations but [rather] to legislation," he concluded.[573] Iraqi policymakers agreed. The Iraq Petroleum Company reduced production in Iraq during the transit dispute. The cutback caused revenue losses of approximately 60 percent, prompting the Iraqi finance minister to predict that the clash would "cripple the economy."[574] Still, Iraq supported Syria and ordered the IPC to resume production to Banias in January 1967. Furthermore, the government claimed that the IPC purposefully dawdled during the Syrian negotiations in order to exert financial pressure regarding the fields expropriated in 1961.[575]

571Stocking, *Middle East Oil*¸ 282.
572 AmEmbassy Damascus to SecState, "IPC Situation," January 12, 1967, NARA, RG 59, CFP 1967-1969, PET 18–1 IRAQ–SYR.
573 Wolf-Hunnicutt, "The End of the Concessionary Regime," 172-173.
574Brown, "Nationalization," 116-117.
575 *FRUS, 1964-1968,* XXXIV, 196. Telegram From the Embassy in the United Arab Republic to the Department of State, December 16, 1966; *FRUS, 1964-1968,* XXXIV, 202. Information Memorandum From the Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs (Handley) to Secretary of State Rusk, February 1, 1967.

Pressure on the IPC became increasingly commonplace after the Ba'athist coup in 1968, which lifted the military officer Ahmad Hasan al-Bakr and his nephew, Saddam Hussein, to power. After purging its opponents, the Ba'ath government embarked on a process of economic development. The Ba'ath party abandoned pan-Arabism for Iraqi nationalism once in power, but the concept of permanent sovereignty remained at the center of policy toward the IPC.[576] In 1970, an editorial in the Ba'ath journal *Al-Taakhi* argued that Iraq "continue[d] to suffer as a result of the discriminatory production policy…firstly as a means of revenge and secondly to bring pressure to bear upon Iraq to submit to the will of the companies."[577] Ba'ath leaders consistently used the discourse of permanent sovereignty to support their claims, reminding the IPC managing director that the control of oil profits and production fell within sovereign governments' "generally recognized rights."[578] *Al Thawra* took an identical editorial line in "the battle to extract our rights from the oil companies."[579]

The rights of permanent sovereignty, in this case to production in the surveyed fields expropriated in 1961, continued to be the principle obstacle to agreement between Iraq and the IPC. The company proposed substantial production increases and a new agreement on royalty expensing in 1970.[580] It also offered to surrender its claims to the majority of the expropriated area. As *quid pro quo*, company executives asked the Ba'ath Revolutionary Command Council for "exclusive control and marketing of production" from Rumaila. The Revolutionary Command Council, holding line established by Qasim

576 Kamyar Abdi, "From Pan-Arabism to Saddam Hussein's Cult of Personality: Ancient Mesopotamia and Iraqi National Ideology," *Journal of Social Archaeology* 8: 1 (Feb. 2008): 13-14.
577British Embassy, "Baghdad Press Extracts," December 30, 1970, UKNA, FCO 67/425.
578 Telegram 829, Baghdad to FCO, "IPC 13," November 26, 1970, UKNA, FCO 67/425.
579 British Embassy, 'Press Reaction to IPC Talks,' November 2, 1970, UKNA, FCO 67/425.
580 Wolfe-Hunnicutt, "The End of the Concessionary Regime," 193-199.

in, refused to negotiate "on the grounds that IPC had not really accepted the provisions of Law 80."[581]

THE MULTINATIONAL DEVELOPMENT OF A NATIONAL OIL COMPANY

Each side adamantly opposed compromise after the 1970 refusal. The tenor of the negotiations changed perceptibly in the government's favor later in the year. The decisive factor was the national oil company's newfound ability to produce oil from Rumaila. The ability to bring oil to the tap provided the Ba'ath government with an advantage not held by their nationalist predecessors. Once the national oil company gained the capacity to produce its oil, it began to find ready markets. The negotiating position of the IPC quickly slipped.

Reflecting its new capabilities, the national oil company signed a number of contracts after 1970. The proliferation of IPC warning letters threatening legal challenges to "hot oil," composed by the London corporate office, were closely analyzed by the British Foreign and Commonwealth Office (FCO). The warning letter strategy initially found support from different elements within the FCO, especially the Oil Department. The embassy in Baghdad opposed the strategy. By early 1971, the FCO arrived at the near-unanimous conclusion that the embassy's analysis was correct. The warning letters would not deter the national oil company from developing the facilities to produce and finding markets for Rumaila oil.

The British ambassador, Hugh Glencairn Balfour-Paul, held that the IPC was unlikely to gain any ground without compromising on Rumaila.[582] Balfour-Paul believed that the Ba'athist negotiating levers had improved to a point that undermined the IPC's

---

581 Oil Department, "Iraq Oil," March 10, 1970, UKNA, FCO 67/420.
582 This diplomat is more famous as a historian: *The End of Empire in the Middle East: Britain's Relinquishment of Power in Her Last Three Arab Colonies* (Cambridge: Cambridge University Press, 1991).

position. In the sharp light of the international politics of permanent sovereignty, he believed, the companies' hands were bound. Balfour-Paul characterized the decision by the director of Shell, Sir David Barran's, to call what he believed to be an Iraqi bluff as a "death wish in action." He wrote that the IPC's assessment of its "unassailable position" ran counter to his analysis and that of his French, Dutch, and Italian colleagues.[583] The ambassador urged the British government to pressure the IPC to meet Iraqi demands multiple times in early 1970.[584]

The Oil Department disagreed. Balfour-Paul's call to "intervene forcibly" in the negotiations could not be heeded for three reasons. First, the company had made "many efforts," all failures, to find a solution. For example, the IPC increased production in December 1969 despite problems with global over-supply and their members' concurrent need to satisfy the "aspirations of the Shah and others." Thus, requesting control of Rumaila oil was "reasonable."[585] Viewed from London, the impasse resulted from Iraqi intransigence, not multinational myopia.

Second, members of the Oil Department believed that "economic factors [did] not point in the same direction as the political." The Iraqi government was "in no position to dispense with the IPC, above all since the latter alone can at present provide markets for Iraqi oil." The cash-strapped Ba'ath could be forced to concede Rumaila in order to maintain revenue streams. The IPC hoped that the "financial stringency" so evident during the Syrian stoppage would weaken Iraq. The FCO even told the Iraqi oil minister in March 1970 that "a settlement with the IPC would put an immediate injection of cash into the Iraqis' pockets."[586]

---

583 Balfour-Paul, "I.P.C.," March 5, 1970, UKNA, FCO 67/420.
584 Balfolur-Paul, "British Policy towards CENTO," February 7, 1970, FCO 67/420.
585 Oil Department, "IPC," March 5, 1970, FCO 67/420.
586Bryant, "Iraq and the IPC," March 18, 1970, UKNA, FCO 67/420.

Third, the Oil Department disagreed with Balfour-Paul on the question of precedent. Policymakers feared that capitulation to Iraq would lead to repercussions in other oil-producing countries. Concurrent negotiations between different oil producers—most notably Libya, Iran, and Iraq—threatened a perpetual leapfrog effect, by which each government would seek to improve upon the best deal signed elsewhere. OPEC already had begun to consolidate the producers' collective permanent sovereignty, with the new Libyan Revolutionary Command Council of Muammar Qaddafi as the frontrunner. The Foreign and Commonwealth Office felt it could not press the IPC "to change their stance...unless we accept that they should jeopardise [the companies'] position throughout the major concessionary areas."[587]

The British foreign secretary, Sir Alec Douglas-Home, followed the advice of the Oil Department throughout 1970. Some facts supported the decision. Oil revenues were of overwhelming importance for the Ba'ath regime, which had not fully consolidated power. Other observers agreed that the costs of rule made it less likely that the Ba'ath could withstand any extended revenue losses. The International Monetary Fund reported that Iraq's foreign assets had undergone negligible increases in 1968 and 1969, despite growing oil revenues.[588] The "diversion of foreign exchange for unacknowledged purposes before it reaches the official reserves," an internal Shell report said, had "such large discrepancies" that only one explanation was plausible: "payments for the arms she has undoubtedly obtained."[589] The Foreign and Commonwealth Office hoped the revenue shortages caused by arms spending would soften the Ba'ath. The concern with precedent was also legitimate. If the IPC gave in to Iraq regarding the legality of the 1961

---

587 Oil Department, "IPC," March 5, 1970, UKNA, FCO 67/420.
588 Staff Mission, "Iraq: Recent Economic Developments," February 10, 1971, 13-18, Archives of the International Monetary Fund, Country Reports (hereafter, IMF, CR).
589 EC/CON/29, "Iraq: Foreign Exchange Position at end 1969," February 1970, UKNA, FCO 67/420.

nationalization, other consortiums, often comprising the same member companies, would face stronger demands from elsewhere.

The FCO correctly identified the problems of revenue and precedent, but committed two paramount errors in its analysis. First, the policy put forward by the Oil Department, which held regular "tea parties" with Shell and BP executives, nearly mimicked the position of the companies. Above all, the British government assumed that the IPC was willing to find negotiable terms. The IPC's managing director and principle negotiator in 1970, Geoffrey Stockwell of BP, made it clear that the essential factor for agreement was a settlement granting the IPC exclusive resale rights of Rumaila oil.[590] Balfour-Paul's position in Baghdad led him to believe, correctly, that Stockwell's stance was untenable. Since 1961, the rights to Rumaila had been a public issue of sovereignty.

The second flaw was more basic. Steeped in a long history of imperial economics, the Oil Department ignored the international context of permanent sovereignty as a political force in the negotiations. Both the IPC and the FCO consistently held that oil companies served as "purely commercial concerns whose activities are regulated by the terms of international trade in oil."[591] By 1970, the separation of international politics and economics was disingenuous, especially if made using a terms of trade argument. The politics of sovereignty became a center of gravity in the negotiations, but the FCO ignored the obvious political ramifications of the IPC's claim to oil that had been expropriated legally under Iraqi jurisprudence.

In addition to discounting Iraqi sovereignty, British policy suffered from internal contradictions, particularly in its own assertion that oil was purely a commodity. The argument mirrored some aspects of U.S. policy during the 1967 embargo, especially after

---

590 Gallagher, "Annex: Background and Argument," February 20, 1970, UKNA, FCO 67/420.
591 Oil Department, "IPC," February 26, 1970, UKNA, FCO 67/420.

Nasser characterized oil as "strategic." By supporting the warning letter strategy, the Oil Department buoyed a tenuous argument in which the companies denied the political nature of their own actions even as they paradoxically recognized the international implications of Iraqi demands. Refusing to accede to Ba'ath objectives, the companies maintained a diametrically identical position to the Ba'athist one in their concern about setting a political precedent—the concern that other countries might follow in Iraq's footsteps was as political as the arguments put forth by Iraqi negotiators.

The IPC and the Oil Department fashioned a resoundingly illogical rationale that could not have been compelling even under the best of circumstances. At a 1970 dinner in Baghdad, a Soviet diplomat bluntly explained the absurdity of the warning letters to a company executive. Recent letters addressed to the Kremlin had not been answered because they were simply "unfair." The legal issue was not with the USSR, other countries, or even other companies, which were "acting as subcontractors to INOC." Rather, the dispute was with the Iraqi government itself.[592]

The warning letter strategy hardly even passed muster within Great Britain. When the FCO disallowed British companies from providing development assistance to Iraq or accepting future Rumaila oil as payment, several companies lobbied the Board of Trade to challenge the decision.[593] The politics of permanent sovereignty began to influence national commercial policy. Foreign firms—including not only Eastern bloc countries, but also the French, Italian, Swiss, and Spanish companies already under contract with INOC in 1970—would not "hold back" from the opportunities presented by

---

592 Telegram 818, Baghdad to FCO, "IPC 12,"November 20, 1970, UKNA, FCO 67/425.
593 Oil Department, "Iraq Petroleum Company," November 6, 1970, UKNA, FCO 67/425.

Iraq. By preventing British firms from competing for lucrative contracts, the Board of Trade argued, the FCO was "depriving ourselves of business."[594]

The gap between reality and the IPC's interpretation of reality quickly became too wide to sustain by the middle of 1970. Still, company directors confirmed that immovability would continue to underpin their policy. A settlement with the Ba'ath, David Barran told Oil Department officials, would lend too much credence to the producers' permanent sovereignty. Concession to Iraqi demands "would be damaging to [IPC] interests over all, with no compensating gain to the West."[595]

In early February 1970, the Ba'ath government increased pressure on the companies by announcing the revocation of Article 3 of Law 80. The article allowed the government to double the companies' area of operation. According to the head of oil affairs for the Revolutionary Command Council, Sa'doun Hamadi, Article 3 was a "gap incompatible with national oil policy, as it allows expansion of the area of concessions for the monopolistic companies."[596] The annulment prohibited any future growth in IPC influence. The no-new-concession policy represented a clear toughening of the Iraqi line. On February 23, the Revolutionary Command Council announced Law 20, which granted wide powers to the government. Among the articles of the new law was the right to "fix the price of commodities, e.g. posted prices of oil."[597] Observers recognized the application of permanent sovereignty. The law "vested considerable power in the Government to interfere" with company operations, including seizing oil with

---

594 Hawley, "Assistance to IPC over North Rumaila," October 24, 1970, UKNA, FCO 67/425.
595 Oil Department, "IPC," February 26, 1970, UKNA, FCO 67/420.
596 "Iraq Decides on Big-Inch Crude Pipeline from Basrah to Mediterranean," *Middle East Economic Survey* 13:16 (1970): 1-2; "Baghdad, 12 February, INA," February 12, 1970, UKNA, FCO 67/420.
597 British Embassy, "Law No. 20 of 1970," March 7, 1970, UKNA, FCO 67/420.

compensation or taking over operations without compensation. According to the Oil Department, the law was "one more milestone on the road to state control."[598]

The continued efforts to prevent the production and sale of nationalized oil represented a last-ditch legalistic attempt that was, in the words of Balfour-Paul, "tantamount to closing their eyes to the facts of history."[599] By the end of 1970, the Oil Department also realized that the warning letters had little effect. "We wonder how much longer we and the IPC can go on like this," the department briefed the foreign secretary in December. "We feel that the sands may be running out."[600]

In the end, the Foreign and Commonwealth Office realized that the legal argument was bunk. The Oil Department attempted to convince the IPC to abandon the warning letter strategy.[601] The IPC's decision to continue nonetheless was regrettable, Balfour-Paul wrote. Despite their profession to be nothing more than commercial warnings regarding a breach of contract, the letters had a more profound political meaning. They were "regarded by all Iraqis concerned as a slap in the face," Balfour-Paul concluded.[602]

TRITE SLOGANS

Like the British Oil Department, State Department policymakers underestimated the Iraq situation. Ignoring reports of the growing capability of the Iraq National Oil Company, officials characterized the "hard-line intransigence" of the Iraqi government as nothing

---

598 Bryant, "Iraq and the IPC," March 18, 1970, UKNA, FCO 67/420.
599 Telegram 215, Baghdad to FCO, March 17, 1970, UKNA, FCO 67/420.
600 Oil Department, "Outline Brief for Anglo-American Talks," Item 2(c), December 3, 1970, UKNA, FCO 67/425.
601 Telegram 279, FCO to Baghdad, March 13, 1970, UKNA, FCO 67/420.
602 Telegram 210, Baghdad to FCO, March 15, 1970, UKNA, FCO 67/420.

more than the "trite slogans of 'Arab oil for the Arabs.'"[603] The U.S. embassy in Baghdad expressed frustration with the official position, arguing to the Near East desk that "it is insufficient simply to cluck our tongues sympathetically and urge moderation," but American policy remained one of non-intervention.[604]

The Nixon administration was not alarmed about the problem of permanent sovereignty in Iraq. American diplomats generally agreed with their British counterparts that the Iraq Petroleum Company had significant leverage they could use to gain access to Rumaila oil.[605] The IPC had an outsized role in the national economy, analysts wrote, giving the threat of a production shutdown particular weight. Especially during the Syrian shutdown in 1966 and 1967, the U.S. government did not expect Iraq to stand up to the IPC on the question of nationalized oil.[606]

In the second half of 1971 and again in early 1972, the IPC limited the flow of Iraqi oil to the Syrian port of Banias. The company cited lower Persian Gulf freight rates as its economic logic, a result of supertanker construction following the 1967 closure of the Suez Canal. Still, the cutbacks upset the Ba'ath leaders. The young vice president of the Revolutionary Command Council, Saddam Hussein, complained to the head French

---

603 Kuwait A-79, "Some Observations on the Sixth Arab Petroleum Congress," March 28, 1967, NARA, RG 59, CFP 1967-1969, PET IRAQ; Beirut A-50, "Comments on Iraqi Oil Minister," July 20, 1967, NARA, RG 59, CFP 1967-1969.

604 Kapstein, *Insecure Alliance*, 152-155; Telegram 1426, AmEmbassy Baghdad to SecState, February 16, 1967, NARA, RG 59, CFP 1967-1969.

605 NARA, RG 59, CFP 1967-1969, Memorandum of Conversation, August 17, 1968, PET 6 IRAQ; NARA, RG 59, CFP 1970-1973, Intelligence Note RNAN–19, "Iraq: The IPC Nationalization," June 19, 1973, PET 14–2 IRAQ; *FRUS, 1964-1968,* XXXIV, 201. Telegram From the Department of State to the Embassy in the Syrian Arab Republic, January 25, 1967.

606 On the outsized role of IPC in the Iraqi national economy: *FRUS, 1964-1968*, XXXIV, 197. Telegram From the Embassy in Iraq to the Department of State, "Oil Crisis—Consequences for Iraq of Prolonged Closedown of IPC," December 17, 1966; AmEmbassy Jidda to SecState, December 15, 1967, NARA, RG 59, CFP 1967-1969, PET 15–2 SYR.

member of the IPC, Jan Duroc Danner, that the reduction was a heavy-handed negotiating ploy.[607]

OPEC supported Iraq, labeling the production cuts "political."[608] When the national oil company began production in Rumaila in April 1972, the IPC restated its ownership claim and further limited Iraq's Mediterranean off-take, cutting Iraqi oil revenues by a third. The IPC once more denied that the action was retaliatory, but most observers assumed that it was. Decrying the "pressure tactic," the Ba'ath government issued an ultimatum: The IPC could abandon the bountiful Kirkuk fields or allocate part of its pipeline capacity to Rumaila.[609] The IPC did not budge, promising only to reinstate production. The company maintained its Rumaila claim; the counterproposal did not address the fundamental assertion of Iraqi sovereignty. The Revolutionary Command Council brusquely rejected it.[610] Iraq nationalized all IPC operations on June 1, 1972.[611]

The *Journal of World Trade Law* provided a concise summary of the consequences of the IPC nationalization for international contracts: "Following along the path laid out by history…the traditional concession surrendering huge areas to the oil interests now seems a thing of the past."[612] After the nationalization, the IPC filed cases based on their warning letters in the Brazilian, Indian, and Italian legal systems.[613] Each

---

607"Note of a Meeting Held at 1 Victoria Street on 13 September 1972," UKNA, FCO 67/781.

608 Amembassy Vienna to SecState, "OPEC Support Iraq vis-a-vis IPC Oil Production Drop," May 31, 1972, NARA, RG 59, CFP 1970-1973, PET 3 OPEC; *FRUS, 1969-1976,* XXXVI, 124. Intelligence Note Prepared in the Bureau of Intelligence and Research, "OPEC Opens Oil Ministers' Meeting in Atmosphere of Uncertainty," June 17, 1972.

609Oles Smolansky and Bettie Smolansky, *The USSR and Iraq: The Soviet Quest for Influence* (Durham, N.C.: Duke University Press, 1991), 46; Chalmers, Oil Department, "The Dispute between the Iraq Petroleum Co. and the Iraqi Government," October 20, 1972, UKNA, FCO 67/781.

610 Wolfe-Hunnicutt, "The End of the Concessionary Regime," 256-262.

611Some evidence exists that the decision was contested within the Ba'ath inner sanctum. See Hussein, *Iraq: The Eternal Fire,* 2-35.

612 Pierre Barraz, "The Legal Status of Oil Concessions," *Journal of Trade Law* 5: 6 (1971): 630.

613 See, for example, "North Rumeila [sic] oil sales go ahead despite company's legal threats," *The Times*, April 13, 1972; "IPC begins legal action to bar oil for Brazil," *The Times*, June 29, 1972.

case failed, and despite a worldwide advertising campaign by the IPC in August 1972, private and public companies from many more nations signed contracts with the national oil company.[614] In February 1973, after World Bank President Robert McNamara personally cancelled a final attempt to pressure Iraq to raise its compensation through a "blocking operation" on an education loan, the IPC officially accepted the 1961 and 1972 nationalization decrees.[615]

As the warning letter façade collapsed, it became clear that the IPC stood alone. It was equally evident that the debate over sovereign ownership did not occur in a geopolitical vacuum. Neither did it remain within the traditional superpower binary. To be sure, Soviet bloc countries abetted the production and marketing of Rumaila oil. However, the politics of permanent sovereignty also blurred Cold War boundaries, as Western importers and other oil-producing nations in the Middle East cultivated the Ba'ath capacity to develop nationalized crude.

State visits by Saddam Hussein to Moscow and Paris in 1972 best explain the transition. Borth ventures were successful and undoubtedly increased Hussein's stature in the Arab world. Hussein, who rarely travelled abroad "unless the matter [was] of extreme importance," arrived in Moscow on February 10.[616] The joint communiqué published after the meeting stressed Soviet readiness to help Iraq "exploit its oil wealth independently." Although the communiqué was typical of Soviet policy, the Jordanian

---

[614] Telegram 428, FCO to Santiago, "Nationalisation of the IPC," September 1, 1972, UKNA, FCO 67/781; Lockton, Oil Department, "Iraqi Oil Sales," August 22, 1972, UKNA, FCO 67/781.

[615] In late 1972, upon U.S. and U.K. governmental request, World Bank Director Robert McNamara agreed to defer Iraqi loans and related development projects totaling $108 million "as long as possible." However, he soon explained that "it would be difficult to use technicalities…for lengthy postponement" and quickly returned the loans to the Bank's agenda for impending business. G. B. Chalmers, "IPC and Mediation with the Iraq Government," July 5, 1972, UKNA, FCO 67/779; Telegram 719, UK Director IMF/IBRD to FCO, November 8, 1972, UKNA, FCO 67/781; Oil Department, "Brief for Meeting with Directors of BP and Shell," November 6, 1972, UKNA, FCO 67/781.

[616] "High Iraqi Officials Leave for Moscow; Arms Bid is Hinted," *New York Times*, February 11, 1972, 3.

ambassador in Moscow informed his American counterpart that Hussein's primary goal had been a substantial agreement on the marketing of Rumaila oil. Iraq, according to his sources, had acquired fifteen Soviet oil tankers as a result of the visit, which would make "harassment of their operations by oil companies more difficult."[617]

The Soviet Premier, Alexei Kosygin, paid a return visit to Iraq in April 1972 to sign a Treaty of Friendship and Cooperation. The treaty was timed to overlap with the commencement of national production in Rumaila. At the ribbon cutting ceremony, Hussein and Kosygin gave brief speeches. Hussein's opening lines provide a unique window into the international politics of permanent sovereignty:

> We and the masses of the people everywhere in this country are today celebrating an important event in our national history – the beginning of the direct national exploitation of oil. This industry has been monopolized for about half a century by foreign monopolistic companies. It is indeed splendid that this celebration should take place on the same day when the people and their revolutionary forces are celebrating the 25th anniversary of the Ba'ath Party, which has struggled throughout these years to liberate Arab countries from all types of imperialist influence and raised the national slogan "Arab oil belongs to the Arabs."

The slogan the State Department had written off as "trite" in 1967 now was less so. Kosygin then discussed Rumaila as an example of Iraq "strengthening its sovereignty," part of a broader struggle to ensure that "natural resources, and above all oil, belong to their true owners."[618]

These speeches culminated a half-decade relationship between Iraq and the eastern bloc in which Cold War concerns and the politics of permanent sovereignty became increasingly enmeshed. Legislation created the Iraq National Oil Company in 1964.[619] It was not until the end of the decade that the national oil company became a

---

[617] *FRUS, 1969-1976,* E-4, 298. Telegram 1501 AmEmbassy Soviet Union to DOS, February 18, 1972.
[618] ME/3959/E/1, "E. Kosygin's Visit to Iraq," April 10, 1972, UKNA, FCO 67/774.
[619] *FRUS, 1964-1968,* XXXIV, 177. Telegram From the Embassy in Iraq to the Department of State

viable enterprise. Soviet financial backing and technical know-how provided the essential factors in its development. In July 1967, after Soviet President Nikolai Podgorny became the first high-ranking leader to visit Iraq, the director of the national oil company stated that "[o]ur aim must be the complete control of our oil wealth." A week later the prime minister, Tahir Yahia, also called for further governmental control over the oil industry.[620]

Such statements were empty as long as the Iraq National Oil Company could not bring its oil to the surface. The Soviet Union and Iraq continued to work together to develop production capabilities. The two governments signed a protocol setting up an agenda for economic cooperation in December. The protocol emphasized Soviet assistance with technical formation, the drilling of wells in Rumaila, and the transportation and marketing of crude oil. The director of the national oil company again used the language of permanent sovereignty to stress that Soviet-Iraqi cooperation would "weaken the foreign oil monopolies and strengthen both our countries and our peoples." Iraq's president denounced the IPC with "the strongest attack... in several years," according to the U.S. ambassador in Beirut, calling the company "blood suckers" that sought "to prevent us from developing the country's national resources."[621]

The Soviet-Iraqi protocol held that Iraq would pay for Soviet assistance with oil to be produced in the future. The future oil clause would be repeated frequently by companies and countries on both sides of the Iron Curtain in the coming years. Financial support followed technical aid. In 1969, the Ba'ath Revolutionary Command Council

---

February 7, 1964; *FRUS, 1964-1968,* XXXIV, 179. Telegram From the Department of State to the Embassy in Iraq, April 13, 1964; *FRUS, 1964-1968,* XXXIV, 182. Memorandum of Conversation, "Iraqi Oil Situation, September 23, 1964.

620 *Middle East Economic Digest: Weekly Report* 11: 26 (1967), 467; *Middle East Economic Digest: Weekly Report* 11: 27 (1967), 481-482.

621 A-568, Beirut to State Department, "Petroleum: Iraq," January 4, 1968, NARA, RG 59, CFP 1967-1969, PET IRAQ USSR.

announced a $140 million Soviet loan for the exploitation of Rumaila. The Kremlin news organ, *Ivestia*, employed a broad brush to paint the implications of the loan. It represented the "mutually advantageous cooperation between Arab and socialist countries" that was "being extended to an ever-widening range of economic problems, including the problem of creating a national oil industry for the Arabs." In a separate article, *Ivestia* identified Western discomfort with the Soviet presence in the Persian Gulf as rooted in "the fact that their own plans to control the Arabs' oil are breaking down."[622]

Soviet columnists may have exaggerated the level and unity of Western concern, but support form the Kremlin undoubtedly strengthened the Iraqi negotiating position. Iraqi exclamations of its permanent sovereignty before the 1969 agreement were typically couched in ambiguous terms. The State Department noted that the 1967 agreement dealt in generalities, giving "no clue to the scope and terms of Soviet assistance."[623] Conversely, the goals of the 1969 agreement were specific—expansion in Rumaila production to 100,000 barrels per day by early 1972 and up to 360,000 barrels by 1975. The Soviet agreement to transport the crude also made IPC threats of boycott unworkable.[624] Soviet and Hungarian companies drilled several producing wells in the Rumaila field in 1970, in spite of British reports of their "antiquated and inefficient" machinery.[625] Iraq received additional loans from Bulgaria, East Germany, and Czechoslovakia the same year, all to be repaid in future oil.[626]

622Smolansky and Smolansky, *Soviet Quest*, 52.
623Memorandum, Hughes to the Secretary, "The Soviet Oil Agreement with Iraq," January 15, 1968, NARA, RG 59, CFP 1967-1969, PET IRAQ USSR.
624"Soviet Oil Activities in Iraq," May 8, 1969, UKNA, FCO 67/240.
625 Oil Department, "Soviet Drilling Performance," September 25, 1970, UKNA, FCO 67/424; Jenner, "Iraq/Soviet Oil Developments," November 9, 1970, UKNA, FCO 67/425; British Embassy, "Development of North Rumaila," October 1, 1970, UKNA, FCO 67/425.
626*Petroleum Press Service* (November 1970), 430.

The Ba'ath Party had called for nationalization since 1962, even as a small opposition group.[627] The language of Ba'ath nationalism continued unabated. Now in power, and buoyed by Communist-bloc support, Iraqi negotiators changed their tack in 1970. Nationalist demands became more specific and the IPC's position became increasingly tenuous. In lock-step with Muhammed Maghrebi in Libya, the Shah of Iran, and Saudi oil minister Ahmed Zaki Yamani, Iraqi oil minister Sa'doun Hamadi used the threat of unilateral legislation to draw several concessions from the IPC between 1970 and 1972.[628] The concessions included hallmarks of permanent sovereignty: a series of price increases and 20-percent government participation in company assets.[629]

The Soviet-Iraqi relationship between 1967 and 1972, based on technical and financial assistance in return for future oil production, undermined the company's negotiating position of the Iraq Petroleum Company. To certain observers, Soviet involvement in the strategically vital Persian Gulf made a broader superpower détente an impossibility from the beginning.[630] Balfour-Paul, for one, was alarmed. "The Soviet Union," he wrote, "continues to make easy tricks here and steadily improves her

[627] Saul, "Masterly Inactivity," 760.
[628] On Hamadi, see Wolfe-Hunnicutt, "The Concessionary Regime," 250-252; E. Penrose and E. F. Penrose, *Iraq: International Relations and National Development* (Boulder: Westview Press, 1978), 399-400. On solidarity among the oil ministers: Zuhayr Mikdashi, "Cooperation among Oil Exporting Countries with Special Reference to Arab Countries: A Political Economy Analysis," *International Organization* 28: 1 (Winter 1974): 1-30.
[629] Brown, "Nationalization," 110-111; Michael E. Brown, et.al., "A Model of Cartel Formation," *Rand Corporation Paper* P-5708, 20-28.
[630] The impossibility of détente in the Middle East is a position not refuted by Henry Kissinger's assiduous side-stepping of issues involving the region in his recently published back-channel discussions with Anatoly Dobrynin. See, David C. Geyer and Douglas E. Selvage, eds., *Soviet American Relations: The Détente Years, 1969-1972* (Washington, D.C.: State Department, 2007). Broadly, the strategic importance of the Middle East fits under the description of the "security dilemma" in Robert Jervis, *Perception and Misperception in International Politics* (Princeton: Princeton University Press, 1976), 76-83. Jervis illustrates a specific instance of the universal truth expressed by the great intellectual historian Arthur Lovejoy when he said that human life most often was characterized by hopeful attempts to create harmonious agreement where no basis for such a compact existed. See *The Great Chain of Being: The History of an Idea* (Cambridge: Harvard University Press, 1936), 183-207.

standing, not least in oil affairs. Assuming, as we must that subversion in the Gulf States is a Soviet aim, it would be surprising if they did not use Iraq…as a stalking horse."[631] The State Department agreed that Iraq was part "of a series of Soviet moves to promote the development of indigenous oil industries in developing countries." The promotion of permanent sovereignty had become a "key element in USSR aid policy," designed "to undermine the dominant position of Western...oil interests."[632]

The Shah of Iran joined Western diplomats in their concern about the greater Soviet presence. The Shah warned the U.S. ambassador in 1970 that the USSR was "equipping Iraq with offensive armaments."[633] He reiterated to military officials that "the Soviets, after British withdrawal from the region" would "stir up mischief" through Iraq and the People's Democratic Republic of Yemen. To fill the imperial void, the Shah requested increased armaments sales and made clear that he would force the Iran Consortium to "meet his demands" for greater revenue to fund these sales.[634]

A May 1972 CIA report summarized Soviet policy in the Persian Gulf since the Six Day War. The Kremlin had "followed a consistent course" in "prob[ing] the area, seeking—as opportunities arose—to extend its political and military influence into a region of traditional Russian concern." Like U.S. policy toward the Twin Pillars, Soviet penetration dealt largely in energy and arms.[635] Of greater import for the CIA, the Iraqi-

---

[631]Balfour-Paul, "British Policy towards CENTO," February 7, 1970, UKNA FCO 67/420.

[632]Memorandum, Hughes to the Secretary, "The Soviet Oil Agreement with Iraq," January 15, 1968, NARA, RG 59, PET IRAQ USSR. It is possible that, by seeking to support Iraq and other nation's ability to find and produce oil, the Soviet ironically undermined the applicability of permanent sovereignty in the long-run. Soviet aid prefigured American policy after 1973 by spreading out the number of oil producers, thus limiting the power of OPEC to control world prices. This competition also may have later limited Soviet revenue from oil, especially in the 1980s. See Stephen Kotkin, *Armaggeddon Averted: The Soviet Collapse, 1970-2000* (New York: Oxford University Press, 2008), 10-30.

[633] Telegram, AmEmbassy Tehran to DOS, "Iraq: Soviet Efforts to Penetrate Middle East," October 1969, RNL, NSF 601.

[634] Joint Chiefs of Staff, "Memorandum for the President, CM-5037-70," April 10, 1970, RNL, NSF 601.

[635]As well as Iraq, Iran and Kuwait also responded to the Soviet overtures. In 1970, Soviet representatives struck a deal in which Kuwaiti oil would be delivered to Soviet markets in Japan in return for Soviet crude

Soviet treaty included a carefully formulated reciprocal security clause that had not been included in recent Soviet treaties with Egypt and India. The security agreement relieved the "logistic constraints on Soviet operations in the Indian Ocean." The port city of Umm Qasr, although underdeveloped, had a deep harbor with a large anchorage area. The Iraqi Air Force had calso ompleted six military airfields with Soviet assistance "that could be used to support a Soviet naval presence in the Indian Ocean."[636]

Few American officials believed these concerns amounted to much. State Department and National Security Council analysts conceded that the Kremlin sought greater influence, but they also believed that the Soviet leadership valued détente too much to take any catastrophic risks. Some officials even hoped that the Soviet Union, in light of their recent natural gas contract with the Shah, could "persuade the Iraqis to exercise restraint vis-à-vis Iran."[637] Indeed, according to a 1972 National Intelligence Estimate on Iraq, the Ba'ath regime's "extreme and unbending pan-Arab nationalism" was a greater concern than incipient communist influence. At any rate, "Iraqi assets and capabilities [were] outclassed by those of Iran and Saudi Arabia." Soviet influence was thus "not a significant source of irritation."[638]

Still, many policymakers remained wary of the relationship between Soviet policy and permanent sovereignty. After the nationalization, the American representative in Baghdad wrote to the State Department that a quick compensation settlement between the

---

to Kuwait's European clients. In Iran, the Shah guaranteed over a billion dollars of natural gas imports in return for credit on industrial projects, most importantly the Isfahan steel mill. The USSR emerged as a large arms dealer in Iran as well as Iraq, guaranteeing $350 and $250 million in conventional and sophisticated armaments in 1972.

636 *FRUS, 1969-1976,* E-4, 306. Telegram 69032, DOS to AmEmbassy France, April 20, 1972.

637 *FRUS, 1969-1976,* E-4, 305. Eliot to Kissinger, April 13, 1972.

638 *FRUS, 1969-1976,* E-4, 330. National Intelligence Estimate 36.2-72, December 21, 1972.

IPC and Iraq would be "a significant setback to the USSR."[639] The Assistant Secretary for Near Eastern Affairs, Joseph Sisco, contacted the head of the Iraqi Interests section in Beirut to "prepare the groundwork for a possible improvement in bilateral relations." Sisco hoped to reward Iraq for settling the IPC case in order to build on "indications that Iraq may be seeking a more independent stand in its international alignments."[640]

SADDAM VISITS PARIS

For Sisco, Soviet assistance to the Iraq National Oil Company was not a trifling matter. Neither was Western support for the permanent sovereignty of Iraq over its oil. Immediately after the IPC nationalization, Saddam Hussein led a delegation on another successful visit, this time to Paris. There, he met with the French government, which owned one-third of the French member company of the Iraq Petroleum Company, the *Compagnie Française des Pétroles* (CFP). To the consternation of the other members of IPC, the delegation negotiated an agreement allowing CFP to receive its formerly allotted share of oil for ten years under pre-nationalization conditions.[641]

The other IPC members begrudgingly accepted the French connection only after CFP executives assured them that they would use the relationship to negotiate "adequate" compensation for the nationalized property.[642] On the issue of compensation, the IPC would fare as poorly as it had in defending its contractual rights. Following the June 1972 decree, the IPC claimed that it had "quasi-property rights" over underground reserves and argued that the value of the expropriation, including oil, totaled $1 billion.

---

639 Lowrie to Scotes, February 27, 1973, NARA, RG 59, Bureau of Near Eastern and South Asian Affairs, Records Relating to Iraq, 1973-1975, POL-1 General Policy (hereafter, RRI 1973-1975).

640 Draft Telegram, SecState to Beirut, NARA, RG 59, RRIA 1973-1975, POL IRAQ/US POLICY.

641 Majid Khadduri, *Socialist Iraq: A Study in Iraqi Politics since 1968* (Washington: The Middle East Institute, 1981), 127.

642 Telegram 1468, Paris to FCO, October 26, 1972, UKNA, FCO 67/781.

The Ba'ath government rebutted the claim and offered a much lower compensation value, based on the net book value of $15 million.[643]

Owing to his close relationship with Hussein, the IPC members appointed the director of CFP, Jan Duroc Danner, to mediate the compensation. British and American executives immediately regretted the decision, speculating that self-interest drove Danner and force the IPC to settle for a depressed compensation value. The negotiations dragged on until late 1972. British and American executives expressed their distrust of Danner, recalling a rumored deal between the CFP and the Iraq National Oil Company for Rumaila production in 1967.[644] The doubts about Danner increased when he told the other IPC companies in September 1972 that "Iraqi patience [would] run out" and the Ba'ath would unilaterally assign a compensation value, unless they showed "concrete progress" in the shape of major concessions.[645] The Foreign and Commonwealth Office noted the "increasing pressure on the French oil industry" to develop "its own favourable position in Iraq, if necessary at the expense of its allies."[646]

The French company, the other member companies of the IPC believed, yielded to Iraqi pressure and pushed for a final settlement on unfavorable terms. The IPC agreed on March 1, 1973 to pay Iraq $350 million "as settlement of past debts" in return for fifteen million tons of Iraqi oil. Upon announcing the settlement, Iraqi president Ahmed

643 Maarten H. Muller, "Compensation for Nationalization: A North-South Dialogue," *Columbia Journal of Transnational Law* 19: 1 (1981): 43-45.
644 Telegram No. 55034 to AmEmb Paris, October 17, 1967, reproduced in *Declassified Documents Reference System* (Farmington Hills, Mich.: Gale, 2010), Document CK3100344219; Jacobs to Solomon, "New Iraqi Oil Legislation Finally Deprives IPC of Most of its Concession Area," August 11, 1967, NARA, RG 59, CFP 1967-1969, PET 6 IRAQ; Memorandum of Conversation, "IPC Report on Baghdad," October 8, 1968, NARA, RG 59, CFP 1967-1969, PET 1 IRAQ.
645 Embassy Paris to Oil Department (Chalmers), "The Iraqi Oil Scene," September 29, 1972, UKNA, FCO 67/781.
646 Chalmers, "Talks with the French on the Iraq-IPC Dispute," October 19, 1972, UKNA, FCO 67/781.

Hassan al-Bakr stated that the agreement "guarantees our sovereignty over our natural resources and gives the companies the compensation they deserved."[647]

The courting of France, a major oil importer and a Western power, reflected a wider Iraqi policy of using permanent sovereignty to its national advantage. Beginning in the mid-1960s, at the same time as the initial Soviet deals, Iraq signed development contracts with several Western companies. The International Monetary Fund lauded the strategy as "a favorable line of policy to encourage activities of the private sector."[648] As early as 1964, the U.S. Undersecretary of State, George Ball, presciently predicted that the IPC would eventually find itself undercut by Japanese, Italian, and other foreign oil operators. The IPC "could not hold the line in Iraq forever," he wrote.[649]

Iraq favored development bids and trade agreements that were based on payment in future oil. One common stipulation was that oil purchased in return for development capital or projects would be purchased from the Iraq National Oil Company. A series of bilateral deals between 1969 and 1972 ensured that nationalized Iraqi oil had a broad backing and diverse markets. In the pursuit of diversification, the Iraqi government used permanent sovereignty to show partiality to nations willing to brave the possibility of an IPC lawsuit.[650]

Before the 1972 French-Iraqi agreement, the national oil company already had signed forward oil contracts with the Italian, Brazilian, and Spanish national oil companies. After nationalization, Iraq sold oil to companies in India, Greece and several

---

[647] "Oil Takeover Pact Announced by Iraq," *New York Times*, March 1, 1973, 1.
[648] Staff Mission, SM/71/33, Middle Eastern Department, "Iraq: Recent Economic Developments," February 10, 1971, CR, IMF.
[649] *FRUS, 1964-1968,* XXXIV*,* 182. Memorandum of Conversation, September 23, 1964.
[650] Iraq also followed this diversification strategy in the purchase of modern weapons, again using France as a counterbalance to the Soviet Union. See Francis Fukuyama, *The Soviet Union and Iraq since 1968* (Santa Monica: Rand Corporation, 1980), 37-39; D. Styan, *France and Iraq: Oil, Arms and French Policy Making in the Middle East* (London, I.B. Tauris, 2006).

Eastern European states, as well as making additional industrial agreements with Italy and Japan.[651] In 1973 and 1974, both France and Japan extended direct government loans to Iraq, at least in part to maintain their privileged oil position.[652] A U.S. intelligence report recognized that Iraqi "efforts to arrange alternative supply contracts have been relatively successful."[653]

At times, Iraq's "maverick behavior" had decidedly mixed individual results. One British diplomat invoked the "sad" image of the lone Brazilian representative's suitcase spilling its contents "over the Syrian desert during his trip from Beirut to Baghdad."[654] The State Department held that Iraqi permanent sovereignty had serious limits. It was unlikely that the Soviet Union could import more than a marginal amount of oil. Furthermore, in 1972 the OPEC countries had "promis[ed] an uninterrupted supply of oil to world customers at terms tolerable to both producers and sellers." Iraq could not expect "wholehearted support" from its fellow oil-producing states.[655]

The State Department assessment severely underestimated the strength of the oil producers' sovereignty and misgauged their desire to use it. Events quickly disproved the report's verdict. Although the Shah and King Faisal professed alarm at the Soviet presence in Iraq, both accepted Saddam Hussein's basic assumption of permanent sovereignty and the Ba'athist goal of developing production control. In Iran's ongoing negotiations with the Consortium, the Shah used the same sovereignty-based arguments.

---

[651] The Spanish national oil company, Hispanoil signed a 1970 deal to exchange seven 35,000-ton oil tankers for future North Rumaila crude. In 1971, the Brazilian national company, Petrobras and the Italian national company, ENI, followed suit. ENI made an unprecedented 10-year deal for 20 million tons of INOC oil. *FRUS, 1969-1976,* E-4, 330. National Intelligence Estimate 36.2-72, December 21, 1972; Middle East Steering Group, "Iraq – Industrial Cooperation," August 30, 1974, UKNA, FCO 96/123.

[652] Department of Trade, 'Economic Relations with Iraq,' May 31, 1974, UKNA, FCO 96/123.

[653] *FRUS, 1969-1976,* E-4, 330. National Intelligence Estimate 36.2-72, December 21, 1972.

[654] "Background Brief on Iraq," n.d. (1974), UKNA, FCO 96/123; Graham to Egerton, December 1, 1974, UKNA, FCO 96/123.

[655] *FRUS, 1969-1976, E-4*, 330. National Intelligence Estimate 36.2-72, December 21, 1972.

"The main point," he repeated to Secretary of State Rogers in 1970, "was that, in accordance with principles established by the United Nations, the companies cannot … prevent exploitation of Iran's natural resources."[656]

At the crucial moment of nationalization, Iraq also received material support from its fellow oil producers, who in the recent past had been as likely to capitalize on an Iraqi pitfall as to lend a helping hand. In the months preceding nationalization, Kuwait made substantial loans to Iraq, despite their considerable differences. The finance ministers of the members of the Organization of Arab Petroleum Exporting Countries (OAPEC) agreed to lend Iraq £54 million to make up for production shortages resulting from nationalization. OPEC also released a public statement supporting the nationalization as "an act of sovereignty valid under international law."[657] In the following six months, Iraq received somewhere between $50 and $90 million in loans from Kuwait and Libya.[658]

The solidarity of oil power surprised some policymakers. Many traditionally doubted ability of the producers to work together. In 1970, one British official frankly repeated the sentiment, arguing that the Ba'ath had "shown a remarkable tendency, like other Arabs, to cut off their nose despite [sic] their face."[659] Residual bias had proven a reasonably accurate analysis during the 1967 embargo, even if international circumstances gave the lie to Orientalist outlooks on Arab cohesion. More recently, disharmony had been evident in the founding of OAPEC itself. The history of the group remains tainted by a commonly held misperception among scholars who assume that the Arab producers founded the organization to better coordinate their use of the "Arab oil

---

[656] Memcon, "Iranian Oil Matters," April 1, 1969, RNL, NSF 601.

[657] Telegram 308, Baghdad to FCO, June 21, 1972, UKNA, FCO 67/747. The intricate details of Iraqi diplomatic labors within OPEC and OAPEC can be found in Penrose and Penrose, *Iraq: International Relations and National Development*, 398-412 and in NARA, RG 59, CFP 1970-1973, PET 3 OAPEC.

[658] *FRUS, 1969-1976, E-4*, 330. National Intelligence Estimate 36.2-72, December 21, 1972.

[659] British Embassy, "Iraq Petroleum Company," September 19, 1970, UKNA, FCO 67/424.

weapon" in the ongoing battle with Israel.[660] In reality, OAPEC was window dressing to conceal the contrary. In January 1968, Saudi Arabia, Kuwait, and Libya founded the organization "chiefly to give the conservative oil-rich states a pan-Arab umbrella under which pressures from the radical Arab states might be more easily resisted," the State Department reported.[661]

The 1969 coup in Libya perforated the umbrella. In early 1970, serious strains between the founders appeared when Libya accused the other two members of opposing the admission of Algeria and Iraq. They qualified for membership as Arab countries for which oil was the principal source of national income. To balance the radical presence, according to the Oil Department, "Saudi Arabia made great efforts, reportedly at King Faisal's personal command, to bring the Gulf Emirates into the organization." Algeria, Abu Dhabi, Qatar, and Dubai became members in May 1970. OAPEC could boast that it represented 55 percent of global oil exports.[662]

Iraq applied to join the organization a month later, but a decision was deferred until December 1970 and again until June 1971. The latter meeting was suspended when Secretary General Suhail Sa'dawi of Libya tendered his resignation and warned publicly that the organization might be dissolved. In December 1971 Saudi Arabia sought compromise through an amendment to the membership qualifications that allowed Arab oil producers to join regardless of whether oil was their principal source of income. The amendment opened the way for the admission of Egypt and Syria, as well as Iraq, in May

---

660 For example, Euclid A. Rose, "OPEC's Dominance of the Global Oil Market: The Rise of the World's Dependence on Oil," *Middle East Journal* 58: 3 (2004): 432.

661 Brewer to Battle, "Slow Start for Organization of Arab Petroleum Exporting Countries (OAPEC)," August 1, 1968, NARA, RG 59, CFP 1967-1969, PET 3 OAPEC; Mary Ann Tetreault, *The Organization of Arab Petroleum Exporting Countries: History, Policies and Prospects* (Westport, Conn.: Greenwood Press, 1981), 29-32.

662 Tetreault, *The Organization of Arab Exporting Countries*, 58-87.

1972. “It is possible that Saudi Arabia, having seen that the pass could not be held indefinitely against Iraq, decided to dilute Iraq’s influence in the organization by opening the gates to as many Arab states as possible,” the Foreign and Commonwealth Office observed.[663]

Despite obvious Saudi and Iranian reluctance to be associated with Ba’athist Iraq, OPEC and OAPEC assistance complemented Soviet and Western actions. When Kosygin and Hussein joined hands to cut the ribbon at Rumaila in April 1972, it was with preponderant Soviet assistance. But, Iraq also had pre-established markets in both the Eastern and Western blocs by dint of its future oil contracts. Concurrent pressure on the oil companies from the royal families of Saudi Arabia and Kuwait, both of whom slowed production to pressure the IPC, helped consolidate the position of permanent sovereignty as a key component of diplomacy within the international community.

COLD WAR BOUNDARIES

On the day of the 1972 nationalization, Ba’ath party members hung posters around Baghdad that caricatured sinister British oil magnates, a bloodthirsty Moshe Dayan, and a money-grubbing Uncle Sam being driven from the nationalized fields by an Iraqi soldier dousing them with a spray of petroleum.[664] A closer version of reality would have depicted multiple Eastern and Western bloc companies sidling in behind the evictees and other oil producers placing bets on Iraqi success. The direct influence of the Soviet Union far outweighed that of the Western and Arab nations, laying bare the crucial position of energy politics as a fundamental problem of the Cold War. Even so, at the same time as the nationalization showed Cold War tensions, the preponderance of East-West support for INOC’s development crossed Cold War boundaries.

---

663 Lockton, “OAPEC,” March 23, 1972, FCO 67/747 UKNA.

664 Jim Hoagland, “Iraqi Victory on Oil Seen,” *International Herald Tribune*, July 24, 1972.

Permanent sovereignty became a greater force in the determination of diplomacy. The 1972 nationalization of the Iraq Petroleum Company was a reflexive interplay of moral and material support from OPEC, OAPEC, the Soviet Bloc, and Western consuming nations. Permanent sovereignty disturbed the Cold War orthodoxy of energy security, the corporatist structure of the postwar petroleum order, and the economic alignment of the periphery and the center. The international economy rested on increasingly shifting sands. In retrospect, the nationalization stands at the intersection between a defunct economic rationale based on unchallenged Western control of resources and a new one in which the politics of permanent sovereignty began to raise doubts about the future.

Hard-nosed, rights-based expressions of sovereignty were now a permanent part of the international economy. In time, permanent sovereignty came to refract the broader tension between East-West politics and North-South economics. The tension between politics and economics triggered a concern regarding the disjuncture between the geopolitical reality of energy insecurity and Western domestic policies of unbridled, energy-intensive growth. As the effects of increased oil prices shook the world economy after 1972, the contradiction between growth and limits would define many important debates of the period.[665]

If events in "moderate" Saudi Arabia and Iran and "radical" Iraq demonstrated the power of permanent sovereignty, the activities of Libya, a state once considered "moderate" but now "radical" would cut even deeper.

---

665 Donella H. Meadows, *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind* (New York: Universe Books, 1974); Joseph A. Yager, *Energy and U.S. Foreign Policy* (Cambridge, Mass.: Ballinger, 1974); Ford Foundation, *A Time to Choose: America's Energy Future: A Final Report* (Cambridge, Mass.: Ballinger, 1974).

Chapter 4: *Consenting to the Whip Hand, 1969-1972*

The blow of Mossadegh Madness to the Iranian treasury in 1951-1954 has not been forgotten.

State Department Policy Review, 1967[666]

The companies do not have a leg to stand on because the oil-producing countries will simply claim participation as a sovereign right.

UK Oil Committee Report, 1972[667]

On December 7, 1971, the director of British Petroleum operations in Libya, Chris Willy, arrived at his Tripoli office building to find it surrounded by police. The authorities escorted Willy to the offices of the Libyan National Oil Company. There, officials informed him that BP's exploration and production activities had been nationalized in retaliation for "British collusion" in the Iranian seizure of the little islands in the Persian Gulf. After negotiating the release of his secretary trapped in the building, Willy drove home. He was tailed but managed to "double back and…lose the police."[668]

If one date were chosen, the road to nationalization began four years, six months, and one day earlier. After the first shots of the third Arab-Israeli war on June 6, 1967, the American embassy in Libya—as well as those in Algeria, Kuwait, Saudi Arabia, and Iraq—wrote the State Department to express their concern about street violence.[669] That summer, as outsiders viewed a region poised on the brink of chaos, political radicalism became a basis for governmental legitimacy in the Arab world. One consequence of the

666 *FRUS, 1964-1968,* XXXIV, 19. Paper Prepared in the Department of State, February 8, 1967.
667 Oil Department, Meeting Record, August 3, 1971, UKNA, FCO 67/560.
668File Note, "Events affecting BP interests in Tripoli," December 13, 1971, UKNA, FCO 67/610.
669 Harold H. Saunders, NSC History, LBJL, NSF 17.

radical uptick was the September 1, 1969 Libyan revolution, which deposed the Senussi monarchy of King Idris and brought to power a 27-year-old army captain, Muammar al-Qaddafi.

Western diplomats knew little about Qaddafi or the new Libyan Revolutionary Command Council. For the State Department, Qaddafi was a caricature—"a man raised in the desert" with "the virtues and vices of a fundamentalist prophet." American officials understood no more than that the hitherto unknown leader had "a strong sense of mission."[670] As Qaddafi applied his ardor to a variety of activities, assessments of him became more nuanced. Neither the world community nor the Nixon administration could have predicted that these activities would convert Libya into a pariah state by the end of the decade, when Qaddafi embarked on a continuous and spiteful interference in global affairs. However, it was apparent only months after the revolution that the Revolutionary Command Council would use the country's vast oil wealth to stand at the vanguard of those advocating permanent sovereignty. Iraq, Venezuela, and the conservative producers provided moral and material support when Libyan leaders began to do so.

American foreign policymakers miscalculated the effects of Libyan diplomacy on the international political economy. Often working against the counsel of the multinational oil companies and the British government, the Nixon administration preferred consent over confrontation, much as it did in the Saudi and Iranian revenue negotiations. Meanwhile, Libyan diplomacy catalyzed other producers into bolder action

[670] Department of State, Memo for Kissinger, "Qadhafi Resignation Reported in Libya," September 27, 1971, RNL, NSF 739. On Qaddafi, see: Ronald Bruce St. John, "Redefining the Libyan Revolution: The Changing Ideology of Muammar al-Qaddafi," *Journal of North African Studies* 13: 1 (2008): 91-106; Ian Hurd, "The Strategic Use of Liberal Internationalism: Libya and the UN Sanctions, 1992–2003," *International Organization* 59 (2005): 495-526.

and stimulated a transfer in the locus of power and the direction of profits in the international oil industry.

The primary goal of American policy was to placate the Arab oil-producing countries. What were the reasons for this policy? What were its consequences? Although it lasted for only three years between 1970 and 1972, the policy of placation had immediate and long-term effects on the international political economy. By the time of the December 1971 nationalization, escalating oil prices enabled political regimes that were hostile to the West, particularly those of Iraq and Libya, to actively challenge the postwar petroleum order. The success of the oil producers would catapult the doctrine of permanent sovereignty to the top of the international agenda by 1973.

MONARCHICAL LIBYA

King Idris feared the influence of Libyan exiles and students before the 1969 revolution, but did not identify the plot fashioned within the military by Qaddafi's small group of Nasserists.[671] Likewise the CIA expressed little concern about the possibility of domestic uprising affecting the stability of the regime or the security of Libyan oil supply. "Libya is so dependent on oil revenues that we see little reason to anticipate any internal political developments likely to lead the Libyans to attempt to deny oil to the US," one analyst wrote days before the revolution.[672] More astute observers were not surprised when the coup caught Idris on an Aegean vacation on September 1. Months earlier, David Newsom, recently returned from his post as U.S. ambassador, told State Department officials that "the situation politically in Libya was not healthy." Newsom's insight,

[671] John L. Wright, *A History of Libya* (New York: Columbia University Press, 2010), 194-198; Dirk Vandewalle, *A History of Modern Libya* (New York: Cambridge University Press, 2006), 69-76.
[672] *FRUS, 1969-1976*, XXXIV, 8. Memorandum Prepared in the Central Intelligence Agency, August 28, 1969.

shared by others in the Johnson administration, reflected the aging king's inability to quell the indignation in the post-1967 Arab world.[673]

Libya gained influence in the international economy at the same time as the monarchy lost domestic credibility. American policymakers viewed the country within a dual framework, the political context pan-Arabism and the economic context of oil supply. These contexts became wound together more tightly in the latter half of the 1960s and transformed Libyan oil policy. Pan-Arabism and petroleum became intimately linked during the June 1967 war and the subsequent three-month Arab oil embargo. Libya and the other conservative Arab oil producers did not accept the connection, and understood Nasser's association of oil to pan-Arabism as a form of demagoguery.

The opening of the oil pumps after the August 1967 Khartoum Agreement inaugurated only a momentary Indian summer for the international oil industry. In the following three years, Arab radicalism impinged again and again on the corporatism of the postwar petroleum order, each time with more substantial results for the diplomacy of permanent sovereignty. Between 1968 and 1970, policy analysts noted that the heightened tension involved in the war of attrition between Israel and the Arab front-line states. Among other problems, the 70-percent contribution oil fields in the occupied Sinai Desert made to Israeli needs had inflamed public opinion across the Arab world.[674] The vigor of anti-Israeli opinion aggravated the tense relationship between Nasser and his oil-producing bankrollers. Nasser complained about the oil producers in 1968 to Eisenhower's former Secretary of the Treasury, Robert Anderson, who was in Cairo to finalize a deal between Boeing and United Arab Airlines. Anderson reported to the State Department that the steadfastness of the Khartoum financing agreement was in question.

---

[673] Little, *American Orientalism*, 212.
[674] Bialer, *Oil and the Arab-Israeli Conflict*, 245.

If Nasser eased his stance toward Israel, the oil producers "would welcome [the] pretext to discontinue their aid." If aid was cut off, Nasser believed he would "lose control of the country."[675]

At the same time, some oil experts expressed a growing concern after June 1967 that the Arab "oil weapon" could derail the Free World economy. Walter Levy had warned the State Department in 1967 that continued Arab-Israeli tensions would cause political instability in the producing states. Instability, Levy believed, could lead to a more radicalized Arab position, from which "they and their Soviet backers" could apply political pressure on any number of issues.[676] Most believed this to be unlikely. Because of the Arab penchant for disunity, it was improbable that the producers could ever coordinate the oil weapon. The difference of opinion replicated the lingering debate in national security planning over oil, which pitted confidence in energy security against foreboding of energy dependence. Except in moments of crisis, expressions of confidence were typical.

Most policymakers viewed energy security with confident equanimity in the late 1960s, but State Department analyses gave reason for caution. Reviews prepared by the Persian Gulf desk noted the inability of the West to separate its political and economic interests in the region. The link between politics and economics made the area's "absolute dominance" in global oil production unnerving.[677] World oil supply began to tighten after 1967, as the Suez Canal and the Trans-Arabian pipeline remained closed, production in Nigeria virtually ceased, and Iraqi production fluctuated greatly. A

---

675 Telegram From the Embassy in Iran to the Department of State, November 20, 1968, LBJL, NSF, Memos to the President, Walt Rostow, Vol. 107.
676 *FRUS, 1964–1968*, XXXIV, 242. Memorandum From the Assistant Secretary of State for Economic Affairs (Solomon) to the Under Secretary of State (Katzenbach), June 12, 1967.
677 *FRUS, 1964-1968*, XXI, 19. Paper Prepared in the Department of State, February 8, 1967.

December 1967 policy review for the White House Senior Interdepartmental Group recognized that increased oil dependency made Western nations more "vulnerable to Arab threats." Multiple sources of danger loomed, including a "renewal of Arab-Israel hostilities…a unified anti-Western policy by the Arab countries themselves and/or Communist domination of the area."[678]

Against this background, U.S. administrations from Eisenhower to Johnson viewed monarchical Libya as a font of stability.[679] A February 1967 review noted Libya's importance as a regional voice of reason. As the global economy grew in the 1960s, so too had petroleum exploration. Alternative sources had entered the market and decreased the dominance of the Persian Gulf producers. The most important new source was Libya. "In a trend favorable to European security," Libyan production had "reached the level of a major Persian Gulf producer," providing Western Europe with a quarter of its petroleum needs.[680]

American officials first suggested monarchical Libya's position as a reliable oil alternative in a May 1959 meeting of the National Security Council. The meeting convened to discuss NSC directive 5820, the dramatic reconsideration of Near East policy by the Eisenhower administration. In the wake of the anti-Nasserist Eisenhower Doctrine, cooler heads had convinced the president that Nasser's pan-Arab nationalism was not necessarily incompatible with American objectives: the maintenance of the free flow of oil and the exclusion of Soviet influence from the region.[681] Still, the NSC found reason for concern. The Persian Gulf "was in a position to exert too much economic and

678 *FRUS, 1964-1968*, XXI, 26.Paper Prepared in the Department of State, "Western Interests in Arab Oil," December 27, 1967.
679 Ruth First, *Libya: The Elusive Revolution* (New York: Penguin, 1975).
680 *FRUS, 1964-1968*, XXI, 19. Paper Prepared in the Department of State, February 8, 1967.
681 Yaqub, *Containing Arab Nationalism*, 237-267.

political leverage against Western Europe." The Suez Crisis had made plain European energy dependence. More radical Arab countries would be tempted to use oil power "arbitrarily" for political gain.[682]

Libya's newly discovered reserves, on the other hand, were safely within the Western bloc and ready for exploitation. The only roadblock lay with the multinational oil companies. The companies, according to meeting notes, were "loathe to…jeopardize their position in other Middle Eastern countries." The NSC members debated how best to convince the multinationals to increase their Libyan investments. Eisenhower held that U.S. oil policy should be premised on economic ideology rather than on what he considered more pedestrian political concerns. "Under a system of free enterprise," he said, the government's role was to "make certain that there are no obstacles" to "world-wide" oil development, not to encourage a "crash program for...Libyan fields." Richard Nixon disagreed on pragmatic terms. "The nub of the matter was what to do about Libya," he responded. If the oil companies "deliberately retard[ed] the development of the Libyan oil fields," the relationship with a regional ally could be weakened.

The problem of Libyan oil development, the president and vice president failed to realize, had already been resolved by the Idris regime. The Libyan Ministry of Justice employed a Palestinian lawyer, Anis Qasem, to write a new Petroleum Law in 1955. (Qasem represented Libya at the 1959 Arab Petroleum Congress, where he presented a paper on the uses of national legislation to increase oil income for the producing nations.[683]) In a subtle application of permanent sovereignty, Qasem used national law to

---

[682] *FRUS, 1958-1960,* IV, 298. Memorandum of Discussion at the 406th Meeting of the National Security Council, May 13, 1959.

[683] Anis Qasem, "Libyan Oil Legislation," First Arab Petroleum Congress, 1959, *Middle East Monographs* (Middle East Research and Pub. Center, Beirut, 1960).

impose limits on concession sizes.[684] Nixon's concern did not come to pass; smaller companies jumped at the chance to enter Libya. Production grew rapidly in the 1960s. Under King Idris, the nation remained securely pro-American in the Cold War. The State Department considered Libyan oil "uniquely important for Europe" and a "safe alternative" to the Persian Gulf by 1967.[685]

American policymakers hoped that other producers would follow King Idris's moderation regarding the Arab-Israeli conflict by decoupling oil from the dispute. In its February 1967 review, the Persian Gulf desk argued for the cultivation of closer political relations with the conservative producers. More intimate contact along the lines of that achieved with Idris would emphasize the mutually reinforcing links between the oil-producers and the global economy. In turn, such a policy would help the Arab producers overcome the ideological ferment of pan-Arabism and become more "interdependent with the West."[686]

The emphasis on interdependence and political moderation belied arguments, made by the companies and in policy circles, that oil needed to be treated as any other commodity would, regulated best by market rules of supply and demand. The diplomacy of permanent sovereignty increasingly challenged the definition of oil as a simple commodity. During the 1967 embargo, the Johnson administration took decisive action to guarantee that the break in Libyan oil remained minimal. Libya even broke the embargo by indirectly dispatching shipments to the United States and the United

---

684Robert B. von Mehren and P. Nicholas Kourides, "International Arbitrations between States and Foreign Private Parties: The Libyan Nationalization Cases," *The American Journal of International Law* 75: 3 (Jul. 1981): 478. For the full development of Qasem's thought see, Anis al-Qasem, *Principles of Petroleum Development: The Case of a Developing Country* (Caithersberg, Md.: Graham and Trotman, 1985).
685*FRUS, 1964-1968*, XXI, 26. Paper Prepared in the Department of State, "Western Interests in Arab Oil," December 27, 1967.
686 *FRUS, 1964-1968*, XXI, 19. Paper Prepared in the Department of State, February 8, 1967.

Kingdom, via Canada and Ireland.[687] The morning the Khartoum resolution was adopted, Libya resumed full production.[688]

The British Oil Department also hoped Libyan "moderation" would help guarantee Western European energy security in the case of another embargo. At the time of the 1969 revolution, the country was the fourth largest producer in the world and supplier of a quarter of Western Europe's energy needs. In short, Libya was "a phenomenon of the post-war oil boom."[689]

A BLOW FOR THE THIRD WORLD IN GENERAL

Libya's newly prominent position in the global oil industry did not escape the notice of its intra-OPEC competitors, as demonstrated in the 1969 and 1970 Arab summits. King Faisal, for one, was frustrated by Libya's new significance. The king had joined his counterparts in Kuwait and Libya in subsidizing the Fedayeen, the frontline groups fighting against Israel, with "heavy financial support" beyond the Khartoum promise, according to the CIA. The conservative monarchies nevertheless remained under continued pressure to take more radical public positions and use oil production as a weapon against Israel.[690]

During the November 1969 Arab summit, Nasser and Qaddafi publicly and privately pressured King Faisal to declare an embargo on the United States in response to recent arms sales to Israel, a plan Faisal rejected as "catastrophic."[691] The Saudi foreign

---

687Telegram 568 from Tripoli, August 10, 1967, NARA, RG 59, CFP 1967-1969, PET 17–1 LIBYA.
688Telegram 941 from Tripoli, September 5, 1967, NARA, RG 59, CFP 1967-1969, PET 17–1 ARAB.
689 Oil Department, "British interests in Libyan Oil," May 27, 1970, UKNA, FCO 67/432.
690*FRUS, 1964-1968,* XX, 148. Special National Intelligence Estimate, "Terrorism and Internal Security in Israel and Jordan," April 18, 1968; Telegram From the Embassy in Jordan to the Department of State, "Bundy's July 18 talk with King Hussein," July 20, 1968, USNA, RG 59, CFP 1967-69, POL 27 ARAB-ISR.
691 Telegram 600, Jedda to FCO, "Arab Summit: Saudi Motivation," November 23, 1969, UKNA, FCO 67/247.

affairs minister, Omar Saqqaf, threatened days later to end his country's "multi-million sterling contribution to Palestinian guerilla groups."[692] The threat was empty, Saqqaf told the U.S. ambassador. Saudi Arabia was "isolated and under attack." The only way for Saudi Arabia to "defend herself against accusations of luke-warmness and weakness in the Arab cause," he continued, was to increase its Khartoum "insurance" payments.[693]

A similar message arrived from Iran. The Shah did not appreciate the attention that oil companies had showered on Libya in the 1960s. Again, he made the case that the new wave of radical pan-Arabism threatened further instability in the Arab oil-producing countries. His sources informed him of a new "propensity for demagoguery by Nasser" at the January 1970 Arab summit. Nasser "put on a big act" and insisted that he receive £35 million for armaments for al-Fatah in addition to the Khartoum fees. Qaddafi voiced his support and after a "frantic putting together of Arab heads," the Arab oil-producers promised the money. The meeting was an example of the deterioration of Arab political moderation, the Shah held. The "leftist coups" in Libya, as well as in Sudan and Somalia, provided evidence that moderate Arab states were in a precarious position.[694]

The regional atmosphere remained tense. The Popular Front for the Liberation of Palestine, under the leadership of George Habbash, had announced a sabotage policy against the Trans-Arabian pipeline. Saudi authorities scheduled new deliveries through the pipeline for January 1970 even though it travelled through the Israeli-controlled Golan Heights. Popular Front activists sabotaged the pipeline four times in the second half of 1969 before Syria finally closed its outlet in early 1970.[695] The pipeline sabotages

---

692 "Feisal in Oil Rebuff to Nasser," *Daily Telegraph*, November 20, 1969.
693 Telegram 591, Jedda to FCO, November 21, 1969, UKNA, FCO 67/247.
694Telegram, AmEmbassy Tehran to DOS, January 1970, RNL, NSF 601.
695"PFLP Clams Responsibility for Sabotage," *Middle East Economic Survey* 13:3 (November 14, 1969), 17; "Tapline Sabotaged for Third Time," *Middle East Economic Survey* 13:2 (November 7, 1969), 6.

"made it clear that the future of U.S. oil interests was bound up with U.S. Middle East policy," the chairman of Aramco told the British ambassador to Saudi Arabia.[696] The corporatist policy of the previous quarter century, designed to separate politics from economics, no longer seemed viable.

The connection suited the new Revolutionary Command Council of Libya, which envisioned an outsized role for itself in discussions regarding international petroleum. Petroleum and pan-Arabism were inseparable in the Revolutionary Command Council worldview. "For the puritanical young officers who rule Libya," the British ambassador in Tripoli wrote after an initial round of meetings, oil politics combined two concerns: "recovering the people's 'usurped rights' and the Arab struggle against Israel."[697]

Post-revolutionary Libyan politics became the primary trigger for a transformation in the impact of permanent sovereignty in the international political economy. Occidental Oil's assent to Libya's unilateral thirty-cent price hike in September 1970 is well-documented.[698] Less understood is the intimate nature of the link between radical pan-Arab politics, permanent sovereignty, and Libyan oil policy, especially *after* the Revolutionary Command Council began to pressure the larger oil companies for an Occidental-equivalent price increase and a more beneficial profit-sharing agreement. The leader of the Libyan negotiating team, Muhammed al Maghrebi, was a former employee of Standard Oil. In 1966, Maghrebi published his graduate thesis at Columbia University with the same Beirut publisher that recorded, translated, and distributed the minutes of

[696]British Embassy, Jedda, "Aramco and U.S. Middle East Policy," November 5, 1969, UKNA, FCO 67/247.
[697]Telegram 1370, Tripoli to FCO, September 27, 1970, UKNA, FCO 67/435.
[698]Yergin, *The Prize*, Chapter 28; Weinberg, *Armand Hammer*, Chapter 15.

the First Arab Petroleum Congress in 1959. Like others before him, Maghrebi explicitly linked permanent sovereignty, decolonization, and national control over oil resources.[699]

Maghrebi returned to Libya from Beirut in April 1970, after failing to secure a post with the Palestinian movement, despite a close friendship with George Habbash—his former schoolmate in Cairo, now the radical Marxist leader of the Popular Front for the Liberation of Palestine.[700] Upon his return, Muammar Qaddafi charged Maghrebi with forming a negotiating committee that reported directly to the Revolutionary Command Council.[701] "Noted for his extremist attitude to Western oil interests," Maghrebi's return to Libya brought "no comfort to the companies," the British embassy reported.[702] Maghrebi used his first announcement to state that "no limit" existed to the measures he would take to obtain a price increase.[703] His enlistment of the oil consultants Abdullah al Tariki, the founder of OPEC who had been fired from his job as Saudi Arabian oil minister in 1962 for his "radical leanings," and Nicolas Sarkis, a Lebanese economist, confirmed their concern. Sarkis and Tariki both were staunch advocates of permanent sovereignty in its most extreme form, outright nationalization.[704]

Maghrebi set the tone for the 1970 negotiations by insisting on compensation for the low receipts of contracts signed during the Idris regime, when companies sold Libyan

---

699 Muhammed Mughraby, "Permanent sovereignty over oil resources: A study of Middle East oil concessions and legal change," (Middle East Research and Pub. Center, Beirut, 1966).
700 D.E. Haskell, "Call on BP," July 7, 1970, UKNA, FCO 67/432.
701 Oil Department, "British interests in Libyan oil," May 27, 1970, UKNA, FCO 67/432.
702 Telegram 650, Tripoli to FCO, "Libyan Posted Price Negotiations," April 16, 1970, UKNA, FCO 67/432.
703 "Maghribi warns oil companies," *Middle East Economic Survey* 13:27 (May 1, 1970), 2.
704 "Libya Prepares 'Contingency' Plan if Oil Price Talks Fail," *Petroleum Intelligence Weekly* (April 27, 1970), 2. Also see Stephen Duguid, "A Biographical Approach to the Study of Social Change in the Middle East: Abdullah Tariki as a New Man," *International Journal of Middle East Studies* 1:3 (1970), 195-220.

oil at 10 to 15 cents per barrel less than the Middle Eastern average.[705] The lower prices had been a successful attempt to woo investors and gain a foothold in the European market, but Maghrebi now depicted them as an affront to Libyan sovereignty. Maghrebi ordered the companies to make retroactive payments and increase the current posted price of oil. The Revolutionary Command Council forced down production from 3.7 million to 2.9 million barrels per day between April and September 1970 to force the issue. By October, Maghrebi had extracted agreements from the major oil companies—first from Chevron and Texaco, then from Standard and Mobil, and finally from BP and Shell. The agreements increased the price and created a new national tax rate of 55 percent, assuring Libya an extra profit of $300 million in 1971.[706]

The major oil companies requested support from the U.S. government in their drive to evade the new Libyan terms.[707] The Nixon administration ignored the pleas for intervention, although it did encourage the companies to offset Libyan production losses with oil from Iran and Saudi Arabia.[708] The State Department suggested in July 1970 that the companies use "every means available to deal imaginatively with the problem of seeking to accommodate themselves with the foreseeable evolution of events in Libya."[709] The multinational companies faced mounting pressure that autumn, but the

---

705 The Revolutionary Command Council had already argued that prices were "unilaterally determined" by the companies. This reflected actions taken by Venezuela since the early 1960s. See: Amembassy Tripoli to SecState, Tripoli, October 8, 1969, NARA, RG 59, CFP, 1967-1969, PET 1 LIBYA; Franklin Tugwell, *The Politics of Oil in Venezuela* (Palo Alto: Stanford University Press, 1975), 50-85.

706 *FRUS, 1969-1976,* E-5, 2, 74. National Intelligence Estimate 36.5-71, Washington, April 30, 1971; "Majors Capitulate in Libya to New 55% Oil Tax Rate," *Petroleum Intelligence Weekly* 9:41 (October 12, 1970).

707 David Rockefeller, *Memoirs*, 276-278; *FRUS, 1969-1976,* XXXVI, 24. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon, December 8, 1969; *FRUS, 1969-1976,* XXXVI, 45. Information Memorandum Prepared in the Bureau of African Affairs, "Possible Libyan Oil Crisis, May 13, 1970; Jamieson and Warner to Nixon, November 26, 1969, RNL, NSF, 1241.

708 *FRUS, 1969-1976*, XXXVI, 52. Telegram From the Department of State to the Embassy in Iran, July 30, 1970.

709 *FRUS, 1969-1976*, XXXVI, 51. Action Memorandum From the Deputy Assistant Secretary of

State Department expressed little concern. The department informed President Nixon that the celebration of the first anniversary of the Libyan Revolution would be "marked by policy announcements affecting the US-dominated oil industry." The Revolutionary Command Council would use the holiday to garner popular support for the imposition of the price increase. The hike, the memo offhandedly concluded, would be "something the companies could live with...by passing it on to the consumers."[710]

The State Department had come to the conclusion that mollifying Maghrebi and Qaddafi best served Western interests. White House and National Security Council officials followed the State Department lead. Peter Flanigan explained the government position to John McCloy, whose law firm represented many of the American companies:

> The penalties of a break with Libya, in terms of emphasizing the degree to which Russian-controlled Arab states hold Europe and Japan in pawn for energy requirements and also as a result of the exacerbation of the existent tanker shortage, were much greater than the negatives which would result from a settlement with Libya.

Like State Department analysts, Flanigan believed the increased costs could easily be passed on to consumers.[711] The Nixon administration undoubtedly believed that accommodating Libyan demands on price set a less toxic precedent than a Libyan takeover of oil production. The degree of permanent sovereignty was at issue, not the diplomatic practice itself.

State for International Resources and Food Policy (Katz) to the Assistant Secretary of State for Economic Affairs (Trezise), "Oil Problems in Libya and the Middle East," July 28, 1970. See also: *FRUS, 1969-1976*, XXXVI, 50. Telegram From the Department of State to the Embassy in Libya, "Posted Price Negotiations," July 17, 1970; *FRUS, 1969-1976,* XXXVI, 55. Telegram From the Embassy in Libya to the Department of State, "Oil Negotiations," September 23, 1970; *FRUS, 1969-1976,* XXXVI, 56. Telegram From the Department of State to Certain Diplomatic Posts, "Libyan Oil Negotiations," September 26, 1970.

710 Department of State, Memo for the President, "Libyan Revolutionary Celebrations," August 29, 1970, RNL, NSF 739.

711 *FRUS, 1969-1976*, XXXVI, 57. Memorandum for the Files by the President's Assistant for International Economic Affairs (Flanigan), "Libyan Oil," September 29, 1970.

Short-term economic interest also drove the American decision. In reply to a 1970 National Security Study Memorandum on North Africa, the State Department premised its policy on "preserving the American stake" in Libyan oil because of its $750 million annual contribution to the national balance of payments.[712] The director of the Department's energy office and Kissinger's informal adviser on oil issues, James Akins, told the British ambassador in Washington that the price and tax increases were not "the real danger" of the Libyan negotiations. Rather, Akins worried that the Libyans might be "contemplating expropriation of some or all U.S. oil interests." Akins added that concurrent Iraqi action could cause "serious trouble." Given the more dire threat of nationalization, yielding to Maghrebi's price increase seemed "reasonable," especially if it led to a pause in Arab demands.[713]

The policy of placating oil producers, based on the desire to avoid the worst-case scenario of expropriation and the loss of foreign revenue, guided the State Department throughout 1970 and 1971. The policy irritated the multinational oil companies and the British government, who believed a unified stand against permanent sovereignty was necessary. The chairmen of BP and Shell travelled to New York in September 1970 to convince Akins of the ramifications. An aggregate capitulation by the companies would yield dire consequences, they told the FCO before departing. The companies' opinion was best summarized by Shell's lead negotiator in Tripoli. To yield to Maghrebi would "demonstrate to the world" that the oil producers could "dictate the price of oil." Similar

[712]Memorandum, "NSSM 87, Trends and Options in North Africa," February 12, 1970, National Security Archive, PD, PR00551.

[713]Melhuish to Brant, "Negotiations between the Libyan Government and the producing companies on posted prices," May 19, 1970, UKNA, FCO 67/432.

demands, already called for by Algeria and Iraq, would swiftly spread to the other members of OPEC.[714]

The British executives left London with the blessing of the British government. Before their arrival, Alec Douglas-Home urged the U.S. undersecretary for political affairs, Alexis Johnson, not to "persuade [the companies] to give way."[715] Johnson ignored his advice. Upon their arrival in New York, the BP and Shell directors reported to that they "found…the U.S. State Department more concerned with the implications…for the short-term Western supply position than with the world-wide implications." Douglas-Home ordered the British ambassador in Washington to "urgently" call on Akins and Johnson to explain that "the long-term risks" of a caving in to Maghrebi. Douglas-Home even cabled Secretary of State William Rogers to insist that he "encourage the U.S. majors to maintain a united front."[716]

The BP-Shell mission failed despite the foreign secretary's intervention. State Department policy remained that the companies had "no real option but to settle on the Libyan's terms."[717] Johnson discussed the U.S. strategy with Walter Levy before meeting with the executives. Levy advised him "under no circumstances" to lend support to the oil companies' "hard line." Like Johnson and Akins, Levy fretted over a different precedent than did the British. If a supply slowdown occurred because of a breakdown in the negotiations, if Europe and Japan faced shortages, their governments could begin to deal directly with the Revolutionary Command Council. The prospect of direct

---

[714]Telegram 1321, Tripoli to FCO, September 21, 1970, UKNA, FCO 67/432.
[715]Telegram 2845, Washington to FCO, September 25, 1970, UKNA FCO 67/435; Telegram 2081, UK Mission, New York to Washington, September 25, 1970, UKNA FCO 67/435.
[716]DPO(70)22, Memorandum by the Secretary of State for Foreign and Commonwealth Affairs, September 30, 1970, UKNA FCO 67/435. See also the subsequent conversation between Douglas-Home and Rogers: *FRUS, 1969-1976*, XXXVI, 58. Memorandum of Conversation, October 3, 1970.
[717]Telegram 2828, Washington to FCO, September 24, 1970, UKNA FCO 67/435.

government-to-government discussions was far more dangerous than a price increase for Levy. Bilateral deals not only flouted the corporatist premises of separating diplomacy from economics, they also endangered the favored status of U.S. oil interests in Libya.[718]

Akins described the meeting in detail. The "formidable" chairman of BP—Sir Eric Drake, the same man who had refused Mossadegh access to the Abadan refinery's books in 1951—explained why the companies should stand firm against Maghrebi. Akins responded that U.S. policy had "the companies' interests at heart." At its core, the policy of placating the oil-producers served to protect the companies from their own rigidity. The policy prevented their provocation of "irreparable action" by the Revolutionary Command Council.[719] Drake responded: the consequences of surrender were far greater. He continued dramatically. The companies and governments were in "the most important week in the history of the oil industry since Mossadegh." Acceptance of Maghrebi's terms would expose the companies "to blackmail all over the world."[720]

Johnson and Akins remained unmoved and advised the companies not to expect diplomatic support. Akins stood by American policy after the companies conceded to the price and tax increases. In October 1970, he berated the "totally misguided" stance of the oil companies to Derek Egers of the British Oil Department. "It was a pity" that Douglas-Home had become directly involved, he said. Akins had no doubt that if the companies had held out against Libyan terms, their production would have been cut off. "The Libyans could afford to do this," he believed. If they did, "Europe would then be

---

718 Wilmott to Ellingworth, "Libyan Oil," October 23, 1970, UKNA FCO 67/435. For Levy's position, see: Walter J. Levy, "World Oil Coöperation or International Chaos," *Foreign Affairs* 52: 4 (Jul. 1974): 690-713.

719 Telegram 2856, Washington to FCO, September 26, 1970, UKNA FCO 67/435.

720 Wilmott to Ellingworth, "Libyan Oil," October 23, 1970, UKNA FCO 67/435.

faced with a shortage of oil this winter." The potential consequences of the companies' "reckless attitude" were too great to risk.[721]

Few observers outside the Nixon administration agreed with the assessment. Sir Eric Drake, for one, disputed the decision. "With ill-conceived hostility," he told one U.S. official that "it was really the fault of the US Government that oil companies had felt forced to give in to Libyans."[722] The British ambassador in Tripoli acknowledged that the Revolutionary Command Council had "played their hand with remarkable skill." The agreements set a precedent to "increase postings all round the Middle East and Africa." Because of its swollen treasury, moreover, Libya could make good on further threats of extreme action. By late 1970, Libya had forced a settlement on the companies that continued to break from the patterns of government-company relations that had characterized the postwar petroleum order. Libyan actions continued a trend of permanent sovereignty already initiated in Saudi Arabia, Iran, Iraq, and Venezuela—and in OPEC in general. Maghrebi and Qaddafi had reason "for congratulating themselves on having struck a blow for the Arabs and the Third World in general," the ambassador concluded.[723]

All levels of the British government agreed with the assessment. The implications of American policy were "not hard to see," the Oil Department held. The companies passed on increased costs to consumers as predicted. The other oil producers succeeded in obtaining "the same type of terms as the Libyans."[724] Furthermore, the accession to Libyan demands did not bode well for future struggles. Douglas-Home noted in a cabinet

---

[721]Note for the Record, "Libyan Oil," October 8, 1970, UKNA FCO 67/435.
[722] *FRUS, 1969-1976*, XXXVI, 59. Telegram From the Department of State to the Embassy in the United Kingdom, "Middle East Oil," October 14, 1970.
[723]Goulding to Brant, "Libyan Oil," October 13, 1970, UKNA FCO 67/435.
[724]C.T. Brant, "Libyan Oil and Iran and Iraq," October 1, 1970, UKNA FCO 67/435.

report that Libya's "sharply increased" profits would cover their import bill for at least the next two years. The guaranteed income would allow further leeway for Maghrebi to be "correspondingly tough toward those who do not agree." Triumphant, the Revolutionary Command Council was unlikely to display moderation.

The acceptance of Libya's unilateral demands placed the companies on "a slippery slope," Douglas-Home feared.[725] The Shah, the Oil Department noted, was "clearly scenting blood."[726] And, although Akins had argued to the companies that it was unlikely that the "impoverished" Iraqis could duplicate the Libyan deal, the department found his argument disingenuous. Negotiations between the Ba'ath government and "the unfortunate IPC" already had been "mightily hindered by the events in Libya."[727]

A NEW SENSE OF ENTITLEMENT

The Revolutionary Command Council would not ease its pressure.[728] Indeed, the 1970 negotiations set in motion a chain of events that would invalidate the long-standing concessionary arrangements between the multinational oil companies and the producing governments.[729] Libyan terms spread in the following months as predicted; the other Persian Gulf producers and Venezuela had demanded and received the 55-percent tax rate.[730]

---

[725]DPO(70)22, Memorandum by the Secretary of State for Foreign and Commonwealth Affairs, September 30, 1970, UKNA FCO 67/435.

[726]C.T. Brant, "Libyan Oil and Iran and Iraq," October 1, 1970, UKNA FCO 67/435.

[727]Telegram 2856, Washington to FCO, September 26, 1970, UKNA FCO 67/435; C.T. Brant, "Libyan Oil and Iran and Iraq," October 1, 1970, UKNA FCO 67/435.

[728]Brant to Ellingworth, "Libya – and after," October 29, 1970, UKNA FCO 67/435.

[729] For a similar argument, see Penrose, "The Development of Crisis," 39.

[730] *FRUS, 1969-1976,* XXXVI, 64. Telegram From the Embassy in Libya to the Department of State, "New Rules for the Oil Game," December 5, 1970; Amembassy Caracas to SecState, December 1, 1970, NARA, RG 59, CFP, 1970–1973, PET 3 OPEC; Trezise to Flanigan, December 17, 1970, NARA, RG 59, CFP, 1970–1973, PET 3 OPEC; SecState to Amembassy Tripoli, January 6, 1971, NARA, RG 59, CFP, 1970–1973, PET 14 LIBYA.

After these individual advances, the OPEC oil ministers met and agreed to cooperate in their subsequent demands. The oil ministers informed the companies in December that they would be required to participate in the first ever joint company-cartel negotiations. Libya revived its retroactivity argument and announced additional demands immediately following the meeting. The Libyan strategy potentially forced the companies to undertake separate negotiations between the Gulf and Mediterranean producers. The companies, in an effort to avoid being caught in an upwardly spiraling price war between Libya and the Gulf producers, sought to coordinate "global" negotiations with the entire cartel rather than the binary regional formula.[731]

The negotiations, the first time the companies and countries faced each other as unified bodies, began poorly for the multinationals. The U.S. policy of placating the oil-producers again affected the outcome. It appeared that the Nixon administration did not comprehend the ramifications of Libya's success in cementing its permanent sovereignty in early 1971. Nixon dispatched Undersecretary of State John Irwin to Iran and Saudi Arabia in January. Irwin's mandate was to convince the Shah and King Faisal to support OPEC-wide negotiations.[732] Henry Kissinger expressed his extreme displeasure that he had not been informed of the mission a day before Irwin's departure. Over the phone, he supplemented Irwin's instructions. Above all else, Irwin was to "get out of the line of fire when the firing starts."[733]

---

[731]Oil Task Force, Situation Report, January 15, 1971, RNL, NSF, 1271; *FRUS, 1969-1976*, XXXVI, 65. Telegram From the Department of State to Certain Diplomatic Posts, "Washington Oil Talks," January 8, 1971; *FRUS, 1969-1976*, XXXVI, 76. Telegram From the Under Secretary of State (Irwin) to the Department of State, January 19, 1971; Skeet, *OPEC*, 67.

[732] On Irwin's mandate, see: *FRUS, 1969-1976,* XXXVI, 68. Memorandum From the Assistant Legal Adviser for Economic Affairs (Carter) to the Legal Adviser (Stevenson) and the Assistant Secretary of State for Economic Affairs, January 14; *FRUS, 1969-1976,* XXXVI, 69. Memorandum From C. Fred Bergsten and Harold H. Saunders of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger), January 14, 1971.

[733] Telephone Conversation, Kissinger and Irwin, January 15, 1971, NSA, KT, KA04738. Four days earlier, Kissinger told Irwin he was "not on top of" the oil negotiations. See: *FRUS, 1969-1976*, XXXVI,

Irwin did just that in a two-hour meeting with the Shah on January 17, 1971. He delivered a letter from Nixon and, following instructions, first apologized profusely for the involvement of the U.S. government in the negotiations. Nixon wanted to make clear that the United States was not "representing or taking the part" of the oil companies, Irwin concluded the repentant preamble. Rather, Irwin revived the link drawn by the Johnson administration between economic interdependence and political moderation. A quick, OPEC-wide agreement was in "the greater interest, including that of Iran." Qaddafi's continued threats "that oil would be used as a political weapon against U.S. policy in the Middle East" would cause problems not only for Western Europe, but for the global economy. The recent cycle of price increases had unsettled U.S. strategic thinking. The fear was that the pattern would be repeated. To prevent this intolerable situation, Nixon insisted on "global talks" between the companies and the producer governments, not the Gulf-Mediterranean division.

The Shah responded. He understood that the U.S. government did not want the companies to be "whip-sawed by *escalation ad seriatim* demands by different producers." Nevertheless, global talks were out of the question. "It was not possible for Iran and the Gulf producers to impose their will on Venezuela or radical Arab producers such as Libya, Algeria, and possibly Iraq," the Shah told Irwin. It was the companies' responsibility to stand firm against those demands. Global talks were inadvisable because an OPEC-wide arrangement would be hijacked by "the extremists." Taking the soft line recommended by Kissinger, Irwin did not press further. He even agreed with the Shah that the companies needed to be "responsive to the facts of life."[734]

67. Transcript of a Telephone Conversation Between the President's Assistant for National Security Affairs (Kissinger) and the Under Secretary of State (Irwin), January 11, 1970.

[734] Telegram 277, AmEmbassy Iran to DOS, "Under Secretary's Meeting with Shah," January 18, 1971, RNL, NSF 602.

Irwin met with King Faisal and the Saudi oil minister, Ahmed Zaki Yamani, the following day. Faisal agreed with the Shah that separate negotiations were best: "[I]ntroducing Algeria and Libya into this negotiation will render agreement impossible or at least result in a settlement which will cost the companies much more heavily." The Libyans were young officers ignorant on oil issues, Yamani then told Irwin, "killing goose that laid the golden eggs." The Saudi oil minister, who had met with his Iranian counterpart the previous day, held the same line as the Shah. "No one should expect the moderates to be able to influence the radicals in an OPEC negotiation," he said. "Indeed if negotiations are in the OPEC framework, the moderates would probably have to settle for the radicals' demands."[735]

In a decision that oil executives would long resent, Irwin accepted the Iranian and Saudi argument. He recommended separate Tehran and Tripoli talks to the State Department on January 20. The Nixon administration urged the companies to accept the regional recommendation, despite protests from the ambassador in Tripoli, who wrote that the decision would "play right into Libya's hands."[736]

Interestingly, the reasons for the Irwin decision were steeped in the assumptions that permanent sovereignty had undermined the corporatism of the postwar petroleum order. The company position on global negotiations assumed that Saudi Arabia and Iran would "curb the extremists." After his discussions with the Shah and King Faisal, Irwin was convinced that "such a hope was futile." Neither the Saudis nor the Iranians were "willing or perhaps able to play moderating role in OPEC-wide negotiations," Irwin

---

[735] *FRUS, 1969-1976*, XXXVI, 75. Telegram From the Under Secretary of State (Irwin) to the Department of State, January 19, 1971.

[736] *FRUS, 1969-1976*, XXXVI, 77. Telegram From the Embassy in Libya to the Department of State, January 20, 1971. See also: Amembassy London to Amembassy Tunis, NARA, RG 59, CFP 1970-1973, PET 3 OPEC; *FRUS, 1969-1976*, XXXVI, 81. Editorial Note; Wilkins, "The Oil Companies in Perspective," in Raymond Vernon, ed., *The Oil Crisis* (New York: Norton, 1976), 167-186; Venn, *The Oil Crisis*, 155.

advised. "[T]here is probable truth to their assertions that such negotiations would result in moderates being forced to back extremist demands."[737]

At the same time, the corporatist separation of diplomacy and international economics continued to drive American policy. When the National Security Council supported Irwin's recommendation days later, it noted that "the key question is the nature and extent of U.S. government...involvement in the negotiations with OPEC." In the current situation, the NSC decided to continue corporatist policy and not take "substantial role in the negotiations between the companies and producing governments."[738]

The companies found it impossible to steer clear of the Libyan whipsaw, precisely because the talks had been split along the lines mandated by OPEC. The leader of the oil companies' Tehran team, Lord Strathalmond of British Petroleum, briefed Western ambassadors soon after discussions began. The major sticking point of the Gulf negotiations was the "companies' attempt …to negotiate not only a Gulf price but also a Mediterranean crude price" for pipeline oil. If the Mediterranean price could be set, it would "assist their co-negotiators in Libya," led by George Piercy of Exxon.[739] But, the Gulf producers would not yield. The oil ministers in Tehran indicated that they expected to get whatever price was given to Libya for their Mediterranean pipeline outlets. In the "gloomy" consensus, the companies conceded that it was with Maghrebi whom they would conduct discussions regarding Mediterranean prices. The company negotiators

---

737 *FRUS, 1969-1976*, XXXVI, 76. Telegram From the Under Secretary of State (Irwin) to the Department of State, January 19, 1971.

738 National Security Study Memorandum, "World Oil Situation," January 24, 1971, RNL, H-180. See also: Kissinger to Nixon, "Under Secretary Irwin's Trip to Iran, Saudi Arabia, and Kuwait," February 2, 1971, RNL, NSF 367.

739 AmEmbassy Tehran to SecState, "Oil Situation: Tehran Negotiations," January 27, 1971, RNL, NSF 602.

blamed their inability to negotiate on the September 1970 settlement. Libyan gains had given the OPEC nations a new "sense of entitlement," they told the State Department [740]

The Tehran talks concluded in February with a new tax and price agreement. The oil companies accepted what was considered a substantial price increase—33 cents per barrel immediately followed by 5 cents more per year until 1975.[741] In return, the Gulf governments assured the companies that they would not seek to increase their revenues beyond the terms of the agreement for five years. Nor would they support other OPEC governments, "especially Libya," whose demands exceeded their own.[742] The State Department instructed the American ambassador to thank the Shah for his "categoric [sic] assurances" that the Gulf producers would observe the five-year agreement "regardless of the outcome of negotiations in Libya."[743]

The Tripoli negotiations began soon after. Observers believed it likely that the Revolutionary Command Council would negotiate greater price and tax increases than those in the Gulf. "Libya's overflowing treasury makes it theoretically independent of oil revenues for extended periods," the State Department wrote.[744] Maghrebi used this leverage to negotiate a higher posted price than that agreed to in Tehran, as well as a freight premium for its Mediterranean crude. Critically, the Tripoli negotiations also

---

740 AmEmbassy Tehran to SecState, "Oil Situation: First Gulf Negotiating Session," January 28, 1971, NPM, NSF 602.
741 Kapstein, *The Insecure Alliance*, 155; Bergsten to Kissinger, "World Oil Situation," March 9, 1971, RNL, NSF 367.
742 State Department, Bureau of Intelligence and Research, Intelligence Note RECN-3, February 18, 1971, NARA, RG 59, CFP 1970-73, PET 3 OPEC.
743 AmEmbassy Tehran to SecState, "Iranian Assurances re five-year oil agreement," March 11, 1971, RNL, NSF 602.
744 State Department, Bureau of Intelligence and Research, Intelligence Note RECN-3, February 18, 1971, NARA, RG 59, CFP 1970-1973, PET 3 OPEC.

ended with the companies conceding the annual 5-cent increase already in place in the Gulf, plus an additional 2.5 percent.[745]

An intelligence report prepared jointly by the departments of State and Defense, the NSC, and the CIA noted that the Libyan success would wipe out the Gulf agreement, despite the five-year clause and the personal guarantee of the Shah. The events of September 1970 had "stimulated regional solidarity." The oil producers now were showing "a greater degree of unanimity than had been apparent in the past." As a result of OPEC cooperation, the oil-producing countries now had faith in the "dangerous conviction that they held the whip hand." The agencies confessed that the successful venture in permanent sovereignty was "likely to have lasting effects."[746]

LEAVE THE RUNNING TO LIBYA

The Revolutionary Command Council used its market power in Europe to not only push for higher prices, but to do so in a way that underscored the postcolonial diplomacy of permanent sovereignty. In both the Libyan oil negotiations of 1970 and the OPEC talks of 1971, Libyan negotiators presented their case in univeralist terms. Maghrebi reveled in his global brinksmanship, arguing that the changes in the oil industry redressed a series of deeper wrongs in international history. The decision to do so reflected a shift in the broader international economy. The Libyan attitude not only made sense to the leaders of other oil-producing nations, it also became a harbinger of similar actions.

A U.S. National Intelligence Estimate released in April 1971 predicted that "Libya's sheer financial ability to influence Arab—and even world—affairs will grow

[745] Kissinger to Nixon, "International Oil Situation—Libyan Phase," March 27, 1971, RNL, NSC 367; *FRUS, 1969-1976,* XXXVI, 88. Telegram From the Department of State to Certain Diplomatic Posts, April 1, 1971.
[746]National Intelligence Estimate, 30-1-71, "The Persian Gulf after the British Departure," April 1, 1971, RNL, NSC 1276. See also: *FRUS, 1969-1976,* XXXVI, 89. Telegram From the Embassy in Iran to the Department of State, "Shah's Concern Over Libyan Oil Settlement," April 15, 1971.

rapidly."[747] Evidence of Libya's impact mounted. The rulers of Saudi Arabia and Kuwait were careful to disavow Muammar Qaddafi's extreme brand of pan-Arabism and anti-imperialism, but they were content to sit by and allow the oil ministers of Libya and Iraq to do the legwork. The Saudi oil minister, Ahmed Zaki Yamani, told the U.S. Ambassador in Jedda in September 1971 that he "would leave the running to Libya and Iraq." If they received better deals, "Kuwait and Saudi Arabia could not be seen to be lagging far behind."[748] In the first OPEC meeting after the 1971 negotiations, the oil ministers asserted OPEC's "natural right" to participation in all company operations. "OPEC's oil tax victory over the oil companies earlier this year marked a definite shift in bargaining power in favor of the exporting countries," the State Department reported.[749]

The Libyan posture regarding the continued colonial attitude of Western governments and companies toward the oil-producing states in particular and the Third World in general took greater hold over the postwar petroleum order.[750] By 1972, even Saudi Arabia publicly had changed its official policy on the use of oil as a "political" measure. Historians most often present the politicization of oil production in the regional context of the Arab-Israeli conflict. But it also corresponded with the rise in permanent sovereignty, which continued to be an important trend in international politics. A fundamental challenge to the long-standing status quo, the concept of permanent

---

[747] *FRUS, 1969-1976,* E-5, 2*,* 74. National Intelligence Estimate 36.5-71, Washington, April 30, 1971.

[748] Telegram 745, Jedda to FCO, September 19, 1971, UKNA, FCO 67/561; "OPEC Countries Plan to Negotiate with Oil Companies on Participation and Monetary Changes," *Middle East Economic Survey* 14:48 (1971), 1-7.

[749] Bureau of Intelligence and Research, RECN-17, "Oil: New Confrontation over 'Participation'?" August 11, 1971, NARA, RG 59, CFP 1970-1973, PET 3 OPEC.

[750] For a Marxist-Leninist perspective, see: Norman Girvan, *Corporate Imperialism: Conflict and Expropriation : Transnational Corporations and Economic Nationalism in the Third World* (New York: Monthly Review Press, 1978).

sovereignty provided a legitimate base from which Libya could subvert the standard practices of international energy security.

Libya led the way in pressing for greater control of its oil resources, in effect authenticating the UN resolutions on permanent sovereignty. The political and legal shift in the United Nations now amounted to a transfer of economic power.[751] The members of OPEC consistently emphasized permanent sovereignty during the Tehran and Tripoli negotiations. Whenever an impasse arose, OPEC threatened cartel-wide government legislative enactment of its demands if the companies did not capitulate. In December 1971, in a scene that brought together the politics of sovereignty and oil diplomacy, Libya moved past the threat of unilateral legislation and nationalized the holdings of British Petroleum. The nationalization validated permanent sovereignty, a ubiquitous rhetoric in the UN, but now a growing diplomatic practice.

Ostensibly, the BP nationalization was a blunt response to a problem of regional power: the British government's "collusion" in the Iranian occupation of the contested islands of the Tunbs and Abu Musa in the Persian Gulf. The Libyan accusation had merit. The occupation was indeed the result of two years of diplomacy between the United Kingdom, the Trucial States, Iran, and Saudi Arabia. The British Treasury, the FCO, and the State Department all concurred, however, that the primary factor for nationalization was Libya's goal of remaining at the forefront of the ongoing OPEC negotiations.

---

751 At the turn of the decade, a burgeoning critical literature on multinational corporations also began to address these questions of the relationship between economic and political power. See: Charles P. Kindleburger, *American Business Abroad: Six Lectures on Direct Investment* (New Haven: Yale University Press, 1969); Harry Magdoff, *The Age of Imperialism: The Economics of U.S. Foreign Policy* (New York: Monthly Review Press, 1969); and Louis Turner, *Invisible Empires* (New York: Harcourt Brace Jovanovich, 1970). For the oil industry itself, see Edith T. Penrose, *The Large International Firm in Developing Countries: The International Petroleum Industry* (Cambridge, Mass.: MIT Press, 1970).

The Libyan decision came as a bombshell. Until December 1971, unilateral expropriation was not considered a serious agenda item in broader oil politics by any of the parties involved. Instead, a different problem stood at the front of the agenda for the producing governments. Soon after the Tehran and Tripoli agreements, the producers had begun to call for equity "participation" in oil production.

The question of participation also was steeped in Third World political-economic thought about terms of trade and permanent sovereignty. Participation would give the producing countries partial ownership of the companies' production assets. OPEC passed a formal resolution in favor of participation at its July 1971 meeting in its newly renovated Vienna headquarters.[752] The American and British governments understood that the expression of permanent sovereignty was a post-imperial imperative, "probably inevitable" in the long run. Regardless, in contrast to the earlier American policy of placating oil-producers, both governments took a less compromising public stance.[753] The FCO and the State Department argued that the demand for immediate participation repudiated the stability enshrined in the Tehran and Tripoli contracts. The cancellation of the five-year promise threatened "to throw the producer governments' relations with the oil companies into turmoil," the Foreign and Commonwealth Office wrote.[754]

The primary concern was again one of precedent. If the companies were forced to give way on a degree of participation, no guarantee existed that other concessions would not soon follow. Still, in an echo of the policy of placating the oil-producers, the British

---

752 "OPEC Presses on with Participation Demand," *MEES* 14:38 (July 16, 1971): 1; Bureau of Intelligence and Research, RECN-17, "Oil: New Confrontation over 'Participation'?" August 11, 1971, NARA, RG 59, CFP 1970-1973, PET 3 OPEC; Bureau of Intelligence and Research, RECN-22, "Oil: OPEC Demands Participation, New Price Increases," October 13, 1971, NARA, RG 59, CFP 1970-1973, PET 3 OPEC.
753 Telegram 594, Jedda to FCO, August 8, 1971, FCO 67/560; Hormats to Kissinger, "Oil Companies Faced with New OPEC Negotiating Demands," October 20, 1971, RNL, NSF 367.
754 Telegram 2214, FCO to Washington, August 20, 1971, FCO 67/560.

decided that diplomatic action would be "at best ineffective and at worst counter-productive."[755] "Creeping nationalization," as Glen Balfour-Paul called participation, was "at least…better than outright legislative measures."[756] John Irwin again reminded company executives that the Nixon administration "did not want to get more and more involved" in the negotiations.[757]

The Revolutionary Command Council sought to politicize the participation issue as much as possible. In September, *The Middle East Economic Survey* reported that Libya had "emerged as the leading hawk" on the issue, insisting on nothing less than immediate, majority participation.[758] Even the Iraqi delegation to OPEC, which already had called for immediate 20 percent participation, would settle for a smaller percentage and more flexibility.[759] In a statement similar to the five-year guarantee made and broken in Tehran, the Iranian government promised that the Gulf producers would not ask for more than 20 percent, even if Libya acted "unreasonably as it had in the past."[760] Industry experts were less sanguine. If Libya extracted an agreement for majority participation, "the Gulf producers [would] be bound to follow suit."[761]

All interested parties realized that the oil weapon was much more than a cudgel to be wielded against Israel and its supporters. The change in scale, though, did not mean that regional politics were absent from consideration. When informing BP and Shell executives of his anemic support for their stand against permanent sovereignty, Douglas-

---

755 Fullerton to Gallagher, "Diplomatic Action in Support of the Oil Companies on Participation," August 9, 1971, FCO 67/560.
756 Baghdad to FCO, "OPEC and Participation," August 8, 1971, FCO 67/560.
757 *FRUS, 1969-1976*, XXXVI, 96. Memorandum of Conversation, "The Oil Companies and OPEC Demands," December 2, 1971.
758 *Middle East Economic Survey* 14:48 (September 24, 1971), 2.
759 Telegram 430, Beirut to FCO, "OPEC Meeting," September 24, 1971, FCO 67/561.
760 Telegram 2614, FCO to Washington, October 8, 1971, FCO 67/560.
761 *Middle East Economic Survey* 14:48 (September 24, 1971), 6.

Home explained that the British could ill-afford to "become involved in a row over oil" because of their upcoming withdrawal from the Trucial States. He urged the companies to accept the principle of participation.[762]

A row seemed likely. Shell and BP denied Douglas-Home's request, telling the FCO that they would "certainly fall in with the American Majors if the latter decided to oppose participation tooth and nail." If so, they expected "full diplomatic support."[763] It was unlikely that either the U.S. or the British government would provide any backing. British embassy officials agreed with Akins that the companies should "adopt a moderate and cooperative stance." The State Department concurred that there was "no merit in a formal diplomatic approach."[764] In fact, neither the Foreign and Commonwealth Office nor the State Department considered official diplomatic encouragement to be of much value by the end of 1971. The companies' legal position guaranteed them little rejoinder to unilateral action in the new age of permanent sovereignty. One Oil Department analyst summarized the situation. The companies did "not have a leg to stand on" because the producers "would simply claim participation as a sovereign right."[765]

As British authorities undertook final preparations to depart from the Trucial States on November 30, 1971, Iranian forces took the disputed islands. Fearing the estrangement of an essential Cold War ally, both the State Department and the FCO had worked, in the words of Alec Douglas-Home, "to solve the Gulf islands problem without alienating the Shah."[766] Despite attempts to convince him otherwise, the State Department concluded that "the negotiations over Tunbs and Abu Musa would fail to end

---

762 FCO to Washington, "OPEC – Participation," August 20, 1971, FCO 67/560.
763 Harrington to Beckett, "Participation," August 6, 1971, FCO 67/560.
764 Washington to FCO, "OPEC – Participation," August 23, 1971, FCO 67/560.
765 Oil Department, Meeting Record, August 3, 1971, FCO 67/560.
766 Telegram 3147, FCO to Washington, December 10, 1971, UKNA, FCO 67/610.

in an acceptable compromise and the Shah would likely seize the islands." The final outcome was a concession to Iran, largely in return for relinquishing its claim to Bahrain in September 1970.[767]

According to the agreement, Iran would take control of the Tunbs. On Abu Musa, Iran and Sharjah would share jurisdiction and split any offshore petroleum revenue.[768] After discussions with the United States, King Faisal reassured the British that he would not intervene—Saudi diplomatic remonstrations against the island seizure would be minimal.[769] On November 31, the police forces of Ras al Khaimah resisted the Iranian arrival at the Tunbs, resulting in the death of four policeman and three members of the landing party. The sheikhdom invoked its treaty of protection with the United Kingdom, but the Foreign and Commonwealth Office terminated all treaty relationships with the former Trucial States the next day as planned.[770]

A week later, Libya nationalized BP's holdings, the largest of which was the 330,000 barrel-per-day Sarir field. "Ostensibly," Douglas-Home wrote, the nationalization was "in retaliation for the Iranian seizure." But, nationalization indicated more than a mere protest of Iranian annexation: "It had, in any case, been on the cards for other reasons."[771] Douglas-Home briefed his prime minister more explicitly. "Libya's desire to remain the front-runner" in OPEC was the major factor.[772]

---

767 National Intelligence Estimate, 30-1-71, "The Persian Gulf after the British Departure," RNL, NSC 1276; Rogers to Nixon, "Persian Gulf," December 16, 1971, NARA, RG 59, CFP 1970–1973, DEF 1 NEAR E.
768 Telegram 3147, FCO to Washington, December 10, 1971, UKNA, FCO 67/610.
769 Elliot to Kissinger, "Persian Gulf Situation," December 1, 1971, RNL, NSF 647.
770 Annex, "The Dispute over the Sovereignty of Abu Musa and the Tunbs and Drilling Rights in the Area," January 14, 1972, UKNA, FCO 67/743.
771 Telegram 3146, FCO to Washington, "BP and Libya," December 10, 1971, UKNA, FCO 67/610.
772 PMV(BER)(71)28, "Talks Between the Prime Minister and the President of the United States – Oil, Libya," December 10, 1971, UKNA, FCO 67/610.

The Revolutionary Command Council received the support of the customary Arab revolutionary standard bearers. On December 8, a message from Yasser Arafat was read on Libyan National Radio: "On behalf of all our people and all the Palestine revolution fighters, we congratulate you and shake your hand for the giant revolutionary step you have taken." The Voices of Fatah radio station, operating from Cairo, celebrated the nationalization as "moving far beyond the traditional Arab reaction to imperialist plotting."[773]

The day after the nationalization, a decision BP executives believed Qaddafi had taken after consultations with Anwar Sadat, both BP and the British embassy in Tripoli "agreed that the Libyan government had the right as a sovereign state to nationalize."[774] However, both the company and its parent government protested the nationalization on the basis that the decree had not provided for compensation. On December 23, the British government presented a note to the Revolutionary Command Council calling on the Libyan government to "act in accordance with the established rules of international law" and either restore the company's operations or make reparations.[775]

The Foreign and Commonwealth Office requested that the State Department issue a similar note "deploring the nationalization."[776] Douglas-Home wrote to the Secretary of State, William Rogers, "If the Libyan government's action does not meet with any retribution, both the Libyans and the governments of the other oil producing countries will be encouraged to take action against other concessions." The cascade effect would throw "the existing international oil machinery into complete disarray and consequently

[773]Summary of World Broadcasts, December 10, 1971, UKNA, FCO 67/610.
[774]File Note, "Events affecting BP interests in Tripoli," December 13, 1971, UKNA, FCO 67/610.
[775] Telegram 521, FCO to Moscow, June 6, 1972, UKNA FCO 67/795.
[776]Telegram 4229, Washington to FCO, December 15, 1971, UKNA, FCO 67/610.

jeopardise the security of oil supplies to the western world."[777] Now with full diplomatic support, BP was "doing all within their power to prevent the Libyans from getting away scot-free, which would set an unhealthy precedent…in the Arab world as a whole."[778] The Foreign and Commonwealth Office joined the oil companies in pressuring consumers to boycott Libyan oil. Over some protests from its African desk, the State Department agreed to "black" the oil from the Sarir concession, making its sale illegal in the United States and by U.S. companies.[779]

Throughout 1972, BP took legal measures to prevent the nationalized oil from arriving to the market and "providing a precedent that others, like Iraq, might rapidly follow."[780] This time, the American and British governments provided diplomatic and legal support. In addition to diplomatic pressure, the U.S. Justice Department lifted anti-monopoly regulations, allowing the major oil companies to meet in New York and design a "Libyan safety net" to offset BP's production loss. After the Revolutionary Command Council requested that the Spanish national oil company, Hispanoil, run the nationalized concession, both governments pressured the Franco regime to reject that entreaty. Initially, the Spanish foreign affairs ministry expressed concern that their interests would also be expropriated "if they did not play the Libyan game."[781] But after an emotional quarrel between the executives of BP and Hispanoil, in which the BP director accused his

---

777 Telegram 3147, FCO to Washington, December 10, 1971, UKNA, FCO 67/610..

778 Chalmers to Hannam, "Nationalization of BP," December 16, 1971, UKNA, FCO 67/610.

779 Brief by the FCO, "Talks Between the Prime Minister and the President of the United States – Oil, Libya," December 15, 1971, UKNA, FCO 67/610. See also: *FRUS, 1969-1976*, XXXVI, 99. Telegram From the Embassy in Libya to the Department of State, December 16, 1971; *FRUS, 1969-1976*, XXXVI, 100. Telegram From the Department of State to the Embassy in Libya, December 17, 1971; *FRUS, 1969-1976*, XXXVI, 101. Telegram From the Department of State to Certain Diplomatic Posts, December 22, 1971.

780 Record of a meeting held at the FCO, December 17, 1971, UKNA, FCO 67/610.

781 Telegram 571, Madrid to FCO, "Libyan Oil," UKNA, FCO 67/610.

counterpart of "poaching" and "piracy," the Spanish company endorsed the joint company action directed from New York.[782]

BP pursued the "black" oil successfully in 1972, including over thirty cases of legal action in the Italian court system and backroom bargaining with General Anastasio Somoza in Nicaragua. Even though he was "fighting a rearguard action with the petroleum companies against price increases," Somoza finally acceded to the British ambassador's arguments. The Oil Department reported that Somoza's acquiescence maintained BP's "100% success record" in preventing non-Communist countries from buying nationalized oil.[783] Unfortunately for BP, similar inhibitions did not exist behind the iron curtain. In an echo of the Iraqi-Soviet deals, the Libyan News Agency announced a marketing contract with Moscow for Sarir crude in late May 1972. Soviet tankers would lift the oil from the former BP terminal in Tobruk.[784] Libya cut the production of BP's former partner in the Sarir field, the Bunker Hunt company, to free oil for the Soviet deal.[785] A Russian tanker arrived on May 31 to take the first consignment of the new agreement. Libyan press reports trumpeted the triumph over the "imperialist oil monopolies."[786]

The British embassy in Washington pointed out the ramifications of the Libyan-Soviet deal. It would be impossible to "take any kind of legal action in the Soviet

[782]Telegram 574, Madrid to FCO, "Libyan Oil," UKNA, FCO 67/610.

[783] I.P.S. Vincent to G.B. Chalmers, "General Somoza's Interest in BP/Libyan Oil," May 19, 1972, UKNA, FCO 67/795.

[784] G.B. Chalmers to I.P.S. Vincent, "BP/Libya," June 1, 1972, UKNA, FCO 67/795; S.L. Egerton, British Embassy, Tripoli, "BP/Libya," May 25, 1972, UKNA, FCO 67/795.

[785] M.R. Melhuish, British Embassy, Tripoli to J.C. Kay, North African and Near East Department, "Sarir Oil," June 5, 1972, UKNA, FCO 67/795; Meeting Record, May 25, 1972, UKNA, FCO 67/795; Telegram 637, Tripoli to FCO, May 28, 1972, UKNA, FCO 67/795.

[786] Telegram 649, Tripoli to FCO, "BP/Libya," June 2, 1972, UKNA, FCO 67/795.

courts."[787] Just as in the case of Rumaila, the entry of the Soviet Union into Sarir broke the back of the black oil strategy. Yugoslavia followed in Soviet footsteps in June 1972, when the country signed a deal for a half-million tons of Sarir crude per year. Bulgaria and Romania soon concluded separate agreements.[788] When the British ambassador in Tripoli remonstrated his Yugoslavian counterpart, the response was curt: "The nationalization of BP had been legitimate."[789]

These dealings precipitated an agreement between BP and the Revolutionary Command Council, further cementing Libyan permanent sovereignty. In November, the Egyptian government conveyed a "top level message" via the directors of Pan American Oil on the possibility of compensation from Libya. Although Sir Eric Drake was reluctant to "upset the participation apple cart," he commenced negotiations in December.[790] Hispanoil began to work as a quiet conduit between Maghrebi and BP executives, who arrived at an agreement that would allow the Spanish company to produce and market the nationalized oil. By then, the French and Italian national oil companies had also signed marketing contracts with the Revolutionary Command Council.[791]

The dramatic confrontation over the BP nationalization died down toward the end of 1972. A new verity characterized the international political economy of oil. Unilateral nationalization, the ultimate expression of permanent sovereignty, had become a functional tool. The politics of the little islands and Arab-Persian antagonism had been a

---

787 M.R. Melhuish, British Embassy, Tripoli to J.C. Kay, North African and Near East Department, "Sarir Oil," June 5, 1972, UKNA, FCO 67/795.
788 Telegram 637, Tripoli to FCO, June 2, 1972, UKNA, FCO 67/795.
789 Telegram 713, Tripoli to FCO, "BP/Libya," June 25, 1972, UKNA, FCO 67/795.
790 G.B. Chalmers, Oil Department, "BP/Libya," November 16, 1972, UKNA, FCO 67/796.
791 Telegram 1068, FCO to Tripoli, "Marawan's Visit," December 15, 1972, UKNA, FCO 67/796.

cloak for Libyan action. Permanent sovereignty had become an end in itself, rather than a means to other political solutions.

A NEW SET OF CIRCUMSTANCES

Together, the Libyan and Iraqi nationalizations set an unwelcome precedent. James Akins told his British contact that he was "extremely alive to the dangers into which the U.S. oil companies might run, particularly in the Arab-Israeli context, if retaliation against oil companies for political reasons proved an early success."[792] For the State Department, the "grabbing" of BP had perpetuated the mutually reinforcing assurance among the producers that had begun with the 1970 Libyan negotiations. Reasons for moderation, especially the legal difficulties in marketing black oil, had proved ineffective. The traditional means of coercion would now "bounce off" the impervious producers.[793]

By early 1973, unlike in 1970 and 1971, every actor concerned with oil understood the ramifications of the new set of circumstances. The Arab oil weapon, understood by Nasser in 1967 as a lever against Israel, was thoroughly embroiled in the larger international question of permanent sovereignty. Oil control, in turn, gave the Arab countries greater wherewithal to punish Israel and its supporters. Permanent sovereignty posed a deeply troubling threat to the structure of the post-war international economy *and* to regional stability. The concerns expressed were far more immediate than those of 1967. Libya also brought OPEC to the vanguard of Third World countries in fulfilling the UN resolutions on permanent sovereignty. The nationalizations in Libya and Iraq, an intellectual outgrowth of decolonization, indicated a growing assertiveness

792 Telegram 4180, Washington to FCO, "BP and Libya," December 10, 1971, UKNA, FCO 67/796.
793 Information Memorandum From the Deputy Assistant Secretary of State for African Affairs (Moore) to the Acting Secretary of State Irwin, Washington, December 7, 1971, USNA, RG 59, CFP 70-73, PET 15-2 LIBYA.

on the part of developing countries. International attention turned increasingly toward the troubled relationship between the developed and developing countries, rechristened as the North and the South. At the same time, the Cold War abetted the growing influence of permanent sovereignty. Soviet aid helped both countries find ready markets; legal threats did not have a deterrent effect.

By 1972, Henry Kissinger was becoming more interested in the amalgamation of post-colonial politics and the international economy. He moved the "oil problem," formerly relegated to the State Department, into NSC hands one week before the Irwin mission to Tehran. Still—as Kissinger focused his attention on Vietnam, trilateral diplomacy, and the agreements on strategic arms limitations—the State Department managed the OPEC negotiations. Kissinger expressed frustration at the Nixon administration's inability to make progress on major issues in the Arab world, including those regarding petroleum, describing U.S. efforts as "sort of a mad hatter's party."[794]

In 1973, the price of oil became a prominent topic in world politics, further destabilizing the shifting East-West and North-South fault lines. Then Kissinger would begin to take greater notice.

---

[794] Telephone Conversation, Kissinger and Kraft, August 9, 1972, NSA, KT, KA08515.

Chapter 5: *The Energy Crisis and Petrodollars, 1973-1974*

The energy crisis indicates the birth pains of global interdependence. Our response could well determine our capacity to deal with the international agenda of the future.

Henry Kissinger, 1974[795]

The cartelization of oil and the magnitude of the price increases should not be accepted.

George Shultz, 1974[796]

A nation that can tame the wilderness, that has the most dynamic free market-place in the history of man, that can lift the standard of living to heights hitherto unknown, and can then place men on the moon – that nation, if it allows free enterprise full freedom, is not going to be cowed by the sudden threat of blackmail.

William Simon, 1974[797]

On the morning of July 6, 1974, Harold Wilson was livid. Beginning his second stretch in a decade as British prime minister, the 60-year-old political lion had countless reasons for frustration. He had squeaked back into 10 Downing Street with the barest of pluralities two months earlier. His minority government faced the nation's ghastliest political-economic climate since the Second World War, even worse than the 1967-1968 Sterling crisis that had toppled the remaining architecture of the British Empire and ousted his Labour Party from national leadership. The situation had only worsened since October 1973, when OPEC imposed the first of a series of unprecedented oil price increases.[798]

---

795 Lord to Kissinger, "Your Speech to the Energy Conference," February 8, 1974, National Archives of the United States, General Records of the Department State, Policy Planning Council, Director's Files (Winston Lord), 1969-1977, Box 345 (hereafter, NARA, RG 59, Lord Files, 345).

796 Secretary's Staff Meeting, January 8, 1974, DNSA, KT.

797 *Department of Treasury News*, Remarks by the Honorable William E. Simon, Secretary of the Treasury, Before the Independent Petroleum Association, October 28, 1974.

798 On Wilson's second term, see Harold Wilson, *Final Term: The Labour Government, 1974-1976* (London: Michael Joseph, 1979); Philip Ziegler, *Wilson* (London: Weidenfield and Nicholson, 1993). On the economic problems that riddled transatlantic relations in the 1970s, see Thomas A. Schwartz and

At that moment, however, the source of the prime minister's irritation was more immediate. Much more immediate. The most powerful diplomat of the era, U.S. Secretary of State Henry Kissinger, would arrive in London in two days and Wilson's cabinet had not risen to the occasion. "Too many of these briefs," he scrawled furiously in his trademark green felt-tip pen, "are too obsequious." The cabinet had substituted adulation for analysis. Their admiration for Kissinger's prowess bordered at best on hero worship and at worst on genuflection. "HK is not God!" Wilson exclaimed.[799]

He elaborated later that day. Kissinger's earthly attributes were especially notable in his aggressive diplomacy toward OPEC, a problem that in Wilson's view merited an entirely different tack. "On the whole world energy problem," effective diplomacy needed "to secure cooperation (as opposed to confrontation) between oil consuming and oil producing nations." Kissinger's unremitting stand against expensive oil and cartel power was too confrontational. The result was an unpleasant estrangement between the Western industrialized world and OPEC. "I repeat, HK is not God," he concluded.[800]

The best way to deal with OPEC, Wilson told Kissinger two days later, was to accept the inevitability of the oil producers' new financial and political power. Only then could a dialogue emerge that was characterized "not by a means of confrontation," as Kissinger favored, "but through a process of consultation." A less hostile stance would convince oil producers to increase their investment in the long-term health of the

---

Matthias Schulz, eds. *The Strained Alliance: U.S.-European Relations from Nixon to Carter* (Cambridge: Cambridge University Press, 2010). On Britain's economic problems, Brian Howard Harrison, *Finding a Role? The United Kingdom, 1970-1990* (Oxford: Clarendon, 2010); Robert M. Collins, "The Economic Crisis of 1968 and the Waning of the 'American Century,'" *American Historical Review* 101: 2 (April 1996): 396-422; Michael J. Oliver and Arran Hamilton, "Downhill from Devaluation: The Battle for Sterling, 1968-1972," *Economic History Review* 60: 3 (August 2007): 486-512.

799 "Visit of US Secretary of State, Programme as at 5 July," July 6, 1974, Prime Minister's Office: Correspondence and Papers, 1974-1979, Box 290, National Archives of the United Kingdom (hereafter, UKNA, PREM 16/290).

800 Minute, Wilson to Bridges, July 6, 1974, UKNA, PREM 16/290.

international economy. Wilson rightly doubted he could change the Secretary of State's mind. Kissinger continued to take OPEC to task through 1974.[801]

A GREAT OPPORTUNITY

One could argue that the above exchange reflects nothing more than a difference in temperament. After all, in a consensus that has permeated scholarly literature ever since, Wilson and Kissinger agreed on a fundamental fact. The fourfold leap in oil prices imposed by OPEC between October 1973 and January 1974 threatened to sound the death knell of a quarter-century of economic growth for the industrialized West. It is also true that if Wilson believed the stakes were too high to hazard confrontation, Kissinger believed they made it necessary.

A closer analysis of Kissinger's diplomacy exposes the frailty of a simple psychological argument. From the first price increase on October 16, 1973, Kissinger took an uncompromising position toward expensive oil. Time and again, he argued that the "unilateralism" of OPEC had acute economic and political consequences. "Large price increases" involved the "potential disaster [of] global inflation followed by global recession from which no nation could escape," he told the UN General Assembly in 1974. Expensive oil would also result in a number of related ills: greater debt financing, the foregoing of new investment, bilateral deals between producer and consumer governments, and competitive currency devaluations. Together these problems posed an existential threat to "Free World" liberal capitalism, the very basis of international

---

801 Record of a Conversation between the Prime Minister and the U.S. Secretary of State, July 8, 1974, UKNA, PREM 16/246.

prosperity.[802] If nations adopted these illiberal policies of "beggaring [their] neighbors, a collapse of the world economy will be inevitable," he told another group.[803]

In the hands of the OPEC nations, terms of trade and permanent sovereignty had become a powerful set of ideals. To forestall the apocalyptic course of events he predicted, Kissinger adopted a three-pronged strategy. First, the United States would pressure OPEC members, especially Saudi Arabia, to retract their price increases. Second, Kissinger would exhort the other consuming nations to limit their direct bilateral dealings with individual oil producers. Third, he would use his totemic international status to emphasize the threat of the OPEC price increases to the integrity of the increasingly invoked "global" market economy.

Kissinger expressed his objectives in characteristically grand terms. "I think we have a great opportunity in this crisis to assume leadership in multilateral solutions and in restructuring the world economic system," he told his staff in early January 1974.[804] He reformulated his objective in even more far-reaching language to Gerald Ford two years later—the United States could "use economics to build a world political structure."[805] The dual emphasis on politics and economics suggests a fundamental reordering of objectives in U.S. strategy toward the international economy. By forgoing the corporatist past, Kissinger believed that American diplomacy could turn the problem of expensive oil from a catastrophe into a diplomatic tool of the highest order.[806]

---

802 No. 143, "The Challenge of Interdependence," April 15, 1974, NARA, RG 59, Lord Files, 345.
803 No. 41, "Remarks of Kissinger before the Harvard/Princeton/Yale Club," February 6, 1974, NARA, RG 59, Lord Files, 345.
804 "Secretary's Staff Meeting," January 8, 1974, DNSA, KT.
805 Memorandum of Conversation, Kissinger and Ford, May 24, 1975, National Security Adviser's Memoranda of Conversation Collection, Gerald Ford Presidential Library (hereafter, GFL, NSA Memcons).
806 For the propensity of policymakers to try to snatch victory from the jaws of defeat, see: Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, 5th ed. (London: Allen &Unwin, 1976 [1942]), 81-86 and 104-105.

In crusading against high prices and pressing the inviolability of liberal capitalism, Kissinger remained dominant in the conceptualization and implementation of U.S. foreign policy from 1974 to 1977, despite arguments to the contrary that he and others have made.[807] OPEC's price increases stood at the front-line of global economic and ideological conflict for the United States and the rest of the world. To Kissinger—who told his staff, "don't talk to me about barrels of oil, they might as well be bottles of Coca-Cola" and for whom work as an economist once was likened to "being in charge of the military for the Pope"—the effect of expensive oil on diplomacy represented a different sort of challenge from the strategic questions of triangular diplomacy between the Soviet Union and China, the withdrawal from Vietnam, or the Arab-Israeli conflict.[808]

What were the consequences of Kissinger's response to this challenge? To what degree did the historically conscious actor succeed in following his own deliberate model of statesmanship?

BLACKMAIL, STRANGULATION, AND ROMANTICISM

The unexpected death of Gamel Abdel Nasser on September 28, 1970 surprised the world. A brief silence followed the funeral, but soon upbeat predictions abounded that Nasser's passing meant the end of pan-Arab radicalism. "There could be no Nasserism without Nasser," the deputy prime minister of Israel, Yigov Allon, hoped in the tersest

---

807 Arguments that Kissinger ceded control in this aspect of foreign policy are unconvincing after consulting the archives. For this argument, see: Kissinger, *White House Years* (Boston: Little, Brown and Company, 1979), 949-962; Kenneth Dam and George P. Shultz, *Economic Policy behind the Headlines* (New York: W.W. Norton, 1978), 123.

808 Fred Bergsten cited in Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2010), 29; Kissinger cited in Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Free Press, 1991), 565. For the extensive literature on Kissinger, one would do best to begin with his three-volume memoirs and then consult Jussi M. Hahnimäki, *The Flawed Architect: Henry Kissinger and American Foreign Policy* (New York: Oxford University Press, 2004) and Jeremi Suri, *Henry Kissinger and the American Century* (Harvard: Belknap, 2007).

instance.[809] Despite the continued war of attrition along the Suez Canal, it looked as if Nasser's successor, Anwar el-Sadat, would indeed prove more amenable to a negotiated peace. Sadat assiduously avoided head-on confrontation with Israel and sought to improve Egyptian-American relations in the following three years.[810]

The Nixon administration did not respond to the promising moves, and in 1973 Egypt began to prepare for war.[811] Soviet leaders feared that another Arab-Israeli war would undercut superpower détente and counseled Sadat against such actions. Their advice went unheeded. On October 6, Egyptian and Syrian units attacked Israeli strongholds in the Sinai and Golan Heights. They acted with Saudi Arabian, Kuwaiti, and Libyan financing, as well as Algerian, Tunisian, and Moroccan material support. Soviet leaders expressed frustration that Sadat disregarded their counsel, but nevertheless began to resupply their "Arab brothers" two days later.[812]

Nixon and Kissinger debated whether they would also order an arms airlift to Israel. After Sadat refused a ceasefire on October 12, Nixon famously told Kissinger,

---

809 Record of Conversation between the Minister of State for Foreign and Commonwealth Affairs and the Deputy Prime Minister of Israel," November 6, 1970, UKNA, PREM 15/125.

810 On the war of attrition see, Isabel Ginor and Gideon Remez, "The Tyranny of Vested-Interest Sources: Shaping the Record of Soviet Intervention in the Egyptian-Israeli Conflict, 1967–1973," *The Journal of Middle East and Africa* 1: 1 (2010): 43-66; Avi Schlaim, *The Iron Wall: Israel and the Arab World* (New York: Norton, 2001), 289-298.

811 There exists compelling evidence that Kissinger sought to undermine both U.S. and UN peace missions. See Salim Yaqub, "The Weight of Conquest: Henry Kissinger and the Arab-Israeli Conflict," in Logevall and Preston, eds., *Nixon in the World*, 227-258; Peter L. Hahn, "The Politics of Stalemate: the Nixon Administration and the Arab-Israeli Conflict, 1969-73," in Nigel Ashton, ed., *The Cold War in the Middle East: Regional Conflict and the Superpowers, 1967-73* (London: Routledge, 2007); Uri Bar-Joseph, "Last Chance to Avoid War: Sadat's Peace Initiative of February 1973 and its Failure," *Journal of Contemporary History* 41:3 (July 2006): 545-556.

812 Victor Israelyan, *Inside the Kremlin during the Yom Kippur War* (College Park: Pennsylvania State University Press, 1995), 10-19 and 56-61, quote from 57; Vladislav Zubok, *A Failed Empire: The Soviet Union in the Cold War from Stalin to Gorbachev* (Chapel Hill: University of North Carolina Press, 2007), 238-242; Yevgeny Primakov, *Russia and the Arabs: Behind the Scenes in the Middle East from the Cold War to the Present* (New York: Basic Books, 2009), 143-166.

"Goddamn it, use every [plane] we have."[813] The airlift decision came despite a recent warning from King Faisal that American support for Israel would result in an Arab oil embargo.[814] Kissinger initially hoped the possibility would remain stillborn. He told the newly promoted Joseph Sisco on October 11, "we have to get the bloody Saudi [ambassador] in to keep them from doing something crazy."[815]

Sisco requested a meeting with the ambassador to Washington, but to no avail. The timing of the war strengthened the link between the permanent sovereignty of OPEC and the Arab-Israeli dispute. In a previously scheduled meeting four days before the American airlift, the OPEC ministers met to discuss the indexing of oil prices to worldwide inflation. At the meeting, they rejected out-of-hand an offer from the multinational companie for a 15-percent price increase.[816] After the American arms run, the Arab oil ministers hastily reconvened at the Kuwait Sheraton. There, they announced the imposition of an oil embargo on the United States, general supply cuts, and a 70-percent increase in Persian Gulf oil's posted price, from \$3.01 to \$5.11 per barrel. One participant explained the connection between Arab nationalism and domestic economic considerations: "The situation presented an opportunity to make money and be a patriot at the same time." The rest of OPEC immediately followed suit. The announcement marked the first time that OPEC nations set the price of oil, a power

---

813 Steven L. Spiegel, *The Other Arab-Israeli Conflict: Making America's Middle East Policy, from Truman to Reagan* (Chicago: The University of Chicago Press, 1985), 255.
814 Alistair Horne, *Kissinger: 1973, the Crucial Year* (New York: Simon and Schuster, 2009), 237-265; Kissinger, *Years of Upheaval*, 297-99.
815Telecon, October 11, 1973, DNSA, KT.
816 Ian Skeet, *OPEC: Twenty-Five Years of Prices and Politics* (New York: Cambridge University Press, 1988), 87-91.

reserved exclusively for the multinationals until 1970 and subject to joint company-government determination after the 1971 Tehran and Tripoli agreements.[817]

Price control epitomized OPEC's long-sought permanent sovereignty. The common phrase, "Arab oil weapon," was a misnomer given the broad-based support for increased prices, but it alarmed officials throughout the industrialized West. The NATO allies except for Portugal refused American use of their bases to refuel the American airlift.[818] To avoid being subjected to supply cuts, France sold weapons to Libya and Saudi Arabia that were transferred to Egypt. Great Britain shipped arms to the Arabs and left its contractual obligations to Israel unfulfilled. Japan and the European Community publicly called on Israel to withdraw to its pre-1967 borders after the fighting ended. As a result, the Arab producers excluded Japan and most of Europe from the embargo.[819]

No country could be immune to the price increases. The permanent sovereignty of OPEC would only be felt more strongly in the following months, as the cartel intermittently increased prices until agreeing in January to freeze the barrel at $11.65.[820] The State Department reported that the effect on the U.S. balance of payments would be severe, multiplying the national import bill by over 500 percent.[821] The "unreasonable price increases" would lead to the "drastic deterioration" of their trade balances, the

---

817 Ethan Kapstein, *The Insecure Alliance: Energy Crisis and Western Politics since 1944* (New York: Oxford University Press, 1989), 165; *Petroleum Intelligence Weekly*, October 22, 1973, 3. See also: *FRUS, 1969-1976*, XXXVI, 210. Memorandum From William B. Quandt of the National Security Council Staff to the President's Deputy Assistant for National Security Affairs (Scowcroft), October 10, 1973.

818 Kissinger and Nixon were able to bully the crippled Portuguese dictatorship into submission by promising help with their colonial problem in southern Africa. Norrie MacQueen and Pedro Olivieros, "'Grocer meets Butcher': Marcello Caetano's London Visit of 1973 and the Last Days of Portugal's Estado Novo," *Cold War History* 10: 1 (Feb. 2010): 29-50, Jose Freire Antunes, *Nixon e Caetano: Promessas e Abandono* (Lisbon: Difusão Cultural, 1992).

819 Walter Lacquer, *Confrontation: The Middle East and World Politics* (New York: HarperCollins, 1974), 175-181; Diane Kunz, *Butter and Guns: America's Cold War Economic Diplomacy* (New York: The Free Press, 1997), 239.

820Skeet, *OPEC*, 102; Yergin, *The Prize*, 624-626.

821 "Oil Price Rises," October 17, 1973, NARA, RG 59, CFP 1970-1973, PET 14.

Secretariat of the Organization of Economic Cooperation and Development informed its members.[822] The largest member companies of the organization agreed. In a "solemn speech to a hushed Bundestag," the German economic minister, Helmut Schmidt, conceded that high oil prices would have immediate employment consequences.[823] French President Georges Pompidou nostalgically likened the advent of expensive oil to "waking up from a too beautiful dream" in a national television address.[824] The price increases were "so large" that they "must be regarded as a qualitative as well as a quantitative change," the OECD Secretariat reported in December 1973.[825]

The rigor of Kissinger's Arab-Israeli "Shuttle Diplomacy" between 1974 and 1976—designed as much to sideline the Soviet Union, establish the paramount position of the United States, and consolidate Israel's territorial gains as to broker a sustainable peace—is well documented.[826] Notwithstanding his articulated aversion to economics (and economists), Kissinger also dedicated considerable energy to the oil price problem straightaway. He received detailed reports from the Departments of State, the Treasury, and the National Security Council, and understood that expensive oil was a formidable predicament. It was not one, however, that he believed to be intractable.

Kissinger's diplomacy was *ad hoc* and largely ineffective at the beginning. First, he attempted to convince Saudi Arabia to renege on its commitment to the price increases. To apply pressure on King Faisal, Kissinger threatened not to participate in the

---

[822] OECD Paris to SecState, "OPEC Price Increase," December 22, 1973, NARA, RG 59, Electronic Telegrams, Central Foreign Policy Files, 1973-1976 (hereafter, ET, CFP 1973-1976).
[823] AmEmbassy Bonn to SecState, "German Government Considering New Oil Related Economic Measures," December 14, 1973, NARA, RG 59, CFP 73-76, ET.
[824] AmEmbassy Paris to SecState, "President Pompidou's Interview," December 21, 1973, NARA, RG 59, CFP 73-76, ET. See also: *FRUS, 1969-1976*, XXXVI, 211. Memorandum of Conversation, October 11, 1973.
[825] OECD Paris to SecState, "OECD Secretariat Assessment of Oil Situation's Economic Consequences," December 31, 1973, NARA, RG 59, CFP 73-76, ET.
[826] Yaqub, "The Weight of Conquest," 227-258; Hahnimäki, *The Flawed Architect,* 302-331.

Arab-Israeli peace talks until the Arab producers lifted the embargo *and* OPEC restored prices to prewar levels. Kissinger believed that his hardnosed stance would convince Faisal to lower prices.[827] The Saudi government did not acquiesce, causing an impasse between the world's largest oil-consuming government and its largest producer. The potential fallout troubled other consuming governments and the oil industry. "They have all the cards!" the chairman of Exxon, Ken Jamieson, exclaimed to Kissinger in late October.[828]

Kissinger disagreed, basing his decision on a Cold War rationale that emphasized the link between military and political power. Israel's defeat of the Soviet-armed Arabs had avoided "a disastrous impact on the U.S. position in the Middle East and globally" by proving the superiority of American arms. In line with advice from Sisco and his former special assistant at the NSC and now the State Department's director of policy planning, Winston Lord, Kissinger believed that the United States held a trump card. The emergency airlift made Israel's dependence on American weaponry obvious to the world. Thus, only the United States could bring Israeli leadership to the bargaining table. For this reason, the Arabs had overplayed their hand. The price increases provoked "a romanticism about the Arab position," Kissinger told Jamieson. Because of their apparent power, the Arab producers expected Kissinger to be "a prophet who can ride in from the desert on a white horse with a dramatic solution."[829]

---

827 Steven L. Spiegel, *The Other Arab-Israeli Conflict: Making America's Middle East Policy, from Truman to Reagan* (Chicago: The University of Chicago Press, 1985), 270.

828 MemCon, "Meeting with Oil Company Executives," October 26, 1973, NARA, RG 59, CFP 1970-1973, PET 6. On the initial company position: *FRUS, 1969-1976,* XXXVI, 212. Memorandum by the Chairmen of Exxon Corporation (Jamieson), Mobil Oil Corporation (Warner), Texaco, Inc. (Granville), and Standard Oil Company of California (Miller), October 12, 1973.

829 MemCon, "Meeting with Oil Company Executives," October 26, 1973, NARA, RG 59, CFP 1970-1973, PET 6; Interview with Winston Lord, The Foreign Affairs Oral History Collection, Library of Congress.

In self-consciously setting a farcical blend of Orientalist imagery against his own cold-blooded political realism, Kissinger made clear that he would not be that sort of prophet. He explained his strategy to Jamieson a week later. By making his participation in the peace process conditional upon the resumption of pre-war oil supply and price levels, Kissinger hoped to prove that Saudi Arabia was the main obstacle to regional stability.[830] Kissinger began to employ the strategy on November 8, telling King Faisal that the embargo had inflamed anti-Arab sentiment in the United States to such an extent that it was difficult for him to pursue an "even-handed" policy toward the conflict.[831]

Faisal rebuffed Kissinger. The embargo would not be lifted "until an acceptable solution is found to the Israeli question."[832] Likewise, when Nixon informed Sadat that the embargo could ruin the peace effort, Sadat refused to respond.[833] In preparation for a December meeting with the Saudi oil minister, Ahmed Zaki Yamani, Winston Lord elaborated, "The whole idea is to convey the notion that we are not in a corner, but he is."[834] Still, Lord recommended that Kissinger use the meeting to move away from the linkage between the peace talks and oil prices. The threat held little weight, especially since Kissinger had already planned his first peacemaking trip. The first of many shuttles

---

830 Telecon, November 2, 1973, RNL, Henry A. Kissinger Telephone Conversation Transcripts, Chronological File, Box 23, (hereafter, HAK Telecons, 23).

831 Marvin Kalb and Bernard Kalb, *Kissinger* (New York: Dell, 1975), 582.

832 Lord to Donaldson, "Handling the Yamani Visit," December 3, 1973, NARA, RG 59, Lord Files, 346. On Yamani, see: Ahmed Zaki Yamani, "The Oil Industry in Transition," *Natural Resources Lawyer* 8 (1975-1976): 391-396; Ahmed Zaki Yamani, "Oil: Towards a New Producer–Consumer Relationship," *The World Today* 30: 11 (Nov. 1974): 479-486; Ahmed Zaki Yamani, "Economics of the Petroleum Industry," (Middle East Research and Pub. Center, Beirut, 1970).

833 Richard Nixon, *RN: The Memoirs of Richard Nixon* (New York: Simon and Schuster, 1990), 987; *FRUS, 1969-1976*, XXXVI, 246. Telegram From the Embassy in Saudi Arabia to the Department of State, "Willingness of King Faisal To Change Saudi Oil Policy," November 26, 1973; *FRUS, 1969-1976*, XXXVI, 248. Telegram From the Department of State to the Embassy in Saudi Arabia, "Saqqaf on Possible Moves on Oil Boycott," November 27, 1973.

834 Donaldson to Kissinger, "Your Meeting with Yamani," December 3, 1973, NARA, RG 59, Lord Files, 346.

was an "obvious indication" of his participation, regardless of whether American demands were met.

Like Wilson, Lord urged Kissinger to avoid confrontation, but to no avail. In reviewing Lord's memo, Kissinger approved his other suggestions, but removed references to compromise from the talking points.[835] On December 28, he again told his staff that "we should hold up the peace talks," overriding a spirited argument from the Near East Bureau that his policy made "it more difficult if not impossible for the U.S. to use its influence on behalf of a settlement."[836]

Kissinger added the threat of American military action to the diplomatic arsenal in late 1973. Too much has been made of Secretary of Defense James Schlesinger's alleged consideration of a Saudi oilfield invasion, but Kissinger undoubtedly believed the military threat was diplomatically useful.[837] Before the embargo began, Arab newspapers noted with concern an increase in the Marines' desert training exercises and warnings by U.S politicians that they would not countenance Arab "blackmail."[838] Kissinger issued a stern warning on November 21, telling the press that he had advised Nixon to consider "countermeasures" if the embargo continued "unreasonably and indefinitely."[839]

---

835 Lord to Donaldson, "The Yamani Visit; Can We Ease the Embargo," December 3, 1973, NARA, RG 59, Lord Files, 346; Lord and Katz to Kissinger, "The Line to be Taken with Yamani," December 5, 1973, NARA, RG 59, Lord Files, 346.

836 Memcon, Kissinger, Schlesinger, Colby, Moorer, and Scowcroft, December 28, 1973, *DDRS*, CK3100536164; Memcon, "Oil Embargo," December 28, 1973, NARA, RG 59, CFP 1970-1973, POL 27-14 ARAB ISR.

837 Lizette Alvarez, "Britain Says U.S. Planned to Seize Oil in '73 Crisis," *New York Times*, January 2, 2004, A4; Andrew Scott Cooper, *The Oil Kings: How the U.S., Iran, and Saudi Arabia Changed the Balance of Power in the Middle East* (New York: Simon and Schuster, 2011), 129-134; Kissinger, *Years of Upheaval*, 878-881; *FRUS, 1969-1976*, XXXVI, 244. Editorial Note; *FRUS, 1969-1976,* XXXVI, 251. Memorandum of Conversation, November 29, 1973; *FRUS, 1969-1976,* XXXVI, 253. Memorandum of Conversation, November 29, 1973.

838 Director of Intelligence and Research, Intelligence Brief, "Constraints on Oil Price Increases," September 26, 1973, NARA, RG 59, CFP 1970-1973, PET 14.

839 Klaus Knorr, "The Limits of Economic and Military Power," in Raymond Vernon, ed., *The Oil Crisis* (New York: Norton, 1976), 236-237.

AN UNBELIEVABLE SITUATION

The public threat of military action had considerable longevity. From 1974 to 1976, Kissinger continued to maintain that a military option, while improbable, was viable. In a December 1974 interview with *Business Week*, he did not rule out the use of force in the case of "the actual strangulation of the industrialized world." When informed that his statement had caused uproar among Arab leaders, he defended it. "No nation can announce that it will let itself be strangled without reacting," he told the press.[840] After replacing the disgraced Nixon, Gerald Ford engaged in more aggressive rhetoric. "Sovereign nations cannot allow their policies to be dictated, or their fate decided, by artificial [price rigging]," he declared to a Detroit audience. "Throughout history, nations have gone to war over natural advantages."[841]

There was no irony in Ford's invocation of sovereignty. Indeed, Ford himself explicitly linked American "energy independence" to independence from Great Britain in his State of the Union message for the bicentennial.[842] (On other occasions, he also compared the energy crisis to the War of 1812, the Great Depression, and World War II.[843]) Other commentators saw "energy dependence" as an affront to American sovereignty. A defense consultant, writing under the pseudonym Miles Ignotus in *Harper's*, described OPEC price control as inverted colonialism. The oil producers now held the rest of the world in the thrall of dependence. If the United States did not invade Saudi Arabia, a "somewhat impoverished America would be surrounded by a world

---

[840] Seyom Brown, *The Faces of Power: United States Foreign Policy from Truman to Clinton* (New York: Columbia University Press, 1994), 297-298.

[841] Gerald Ford, "Remarks to the Ninth World Energy Conference," September 23, 1974, in John T. Wooley and Gerhard Peters, eds. *The American Presidency Project*.

[842] Gerald Ford, "Address Before a Joint Session of the Congress Reporting on the State of the Union," January 19, 1976, in John T. Wooley and Gerhard Peters, eds. *The American Presidency Project*.

[843] Gerald Ford, "Remarks at the National Bicentennial Conference," February 25, 1975, in John T. Wooley and Gerhard Peters, eds. *The American Presidency Project*.

turned into a slum." American citizens "would be forced to finance the executive jets of the sheiks."[844]

Kissinger was no less mordant than Ignotus, although he did not engage in such extreme rhetorical acrobatics. In a candid moment, he complained to General Francisco Franco's heir apparent in Spain, Luis Carrerra Blanco, who less than twenty-four hours later would be assassinated by Basque nationalists. "It is really an unbelievable situation," he grumbled. "If some small country had tried in the 19th Century to do what the Arabs are doing, it would have been occupied."[845]

Kissinger could pine for the orderly days of his beloved Metternich and Castlereagh, but the military option was never credible. Yamani responded to Kissinger's first threat in *Business Week* by proclaiming to the *New York Times* that Saudi Arabia could blow up its wells and still turn a profit.[846] The warning by Yamani was serious—oil executives warned the Chairman of the Republican National Committee, George H. W. Bush, that Faisal had mined Saudi oil fields to prevent a take-over.[847] In short, the broader trend of decolonization and the failure in Vietnam eliminated military occupation as a reasonable decision. Likewise, the permanent sovereignty of the oil producers was well-established, as the Libyan and Iraqi black oil cases demonstrated. The phantom that had haunted a generation of oil producers, "Mossadegh Madness," was no longer considered diplomatic lunacy.

---

844 Miles Ignotus, "Seizing Arab Oil," *Harper's* 250: 1498 (Mar. 1975): 45, 62. Thanks to Victor McFarland for drawing my attention to this. James Akins, recently promoted as the ambassador to Saudi Arabia, responded on television "that anyone who would propose that is either a madman, a criminal, or an agent of the Soviet Union." Soon afterward, Akins learned that the background briefing leading to the Ignotus story had been conducted by Kissinger. See: Robert Dreyfuss, "The Thirty Year Itch," *Mother Jones* (Mar./Apr. 2003).

845 Memcon, "Secretary's Call on Carrerra-Blanco," December 19, 1973, NARA, RG 59, CFP 1970-1973, POL 27 ARAB-ISR.

846 Stein, *Pivotal Decade*, 82.

847 *FRUS, 1969-1976*, XXXVI, 250. Notes From Peter Rousel of the Republican National Committee to George H. W. Bush, Chairman of the Republican National Committee, November 27, 1973.

Kissinger's threat of boycotting the peace process was just as implausible. There was little correlation between his participation in Arab-Israeli negotiations and OPEC price control. The price decision transcended the regional peace negotiations. Lord advised Kissinger the he was "unlikely to obtain any change in the overt Saudi position by only reasserting, however forcefully and persuasively, our own view."[848] Kissinger's initial expectation of Saudi acquiescence underrated the strength of OPEC, the gravity of higher oil prices, and the United States' ability to influence either.

Kissinger's miscalculation also discounted the recent history of international oil politics, with which he was familiar. OPEC had waged a protracted and highly publicized campaign to wrest pricing and production control from the grip of the multinationals in the previous half-decade. From September 1970 to September 1973, the posted price already had moved from \$1.80 to \$3.07, its largest sustained increase in history.[849] In June 1973, Wilson's predecessor at 10 Downing Street, Ted Heath, wrote to Nixon about the "growing peril" to the postwar petroleum order. "All the signs are that this situation is going to get worse, not better," he believed.[850]

Sadat understood the nature of the change and sought to use permanent sovereignty to Egypt's advantage, just as Nasser had. Sadat travelled to Riyadh to visit King Faisal two months before the October war. OPEC's great strides presented Sadat with a more propitious environment than Nasser had ever had for connecting pan-Arabism and permanent sovereignty. For Faisal, linking Saudi production control to the Arab-Israeli conflict would bring benefits that had not been evident in 1967. Support for Egypt would increase Saudi Arabian and OPEC revenues. It would also enhance Faisal's

---

848 Lord to Donaldson, "Handling the Yamani Visit," December 3, 1973, Lord Files, 346, RG 59, USNA.
849 Director of Intelligence and Research, Intelligence Brief, "Constraints on Oil Price Increases," September 26, 1973, NARA, RG 59, CFP 1970-1973, PET 14.
850Nixon to Heath, June 14, 1973, RNL, NSF 764.

prestige in the Arab world, which continued to be under constant attack from the radical leaders in Libya, Iraq, and Algeria.[851]

Already in 1971 and 1972, Faisal and Yamani had told the Nixon administration that Sadat's "bold" policies vis-à-vis the Soviet Union merited American action. Both the king and his oil minister added ominously that Saudi Arabia would no longer treat oil and Arab political interests as distinct issues.[852] After Sadat's 1973 visit, Faisal again put American officials on warning, stating unequivocally that no further production expansions would occur without a settlement of the Arab-Israeli conflict. "This is the strongest statement yet by Faisal," Kissinger rightly told Nixon, and (wrongly) "his first direct linkage of the Arab-Israeli problem with oil."[853]

Oil executives informed the State Department that the Saudi decision to hold production levels made it likely that other OPEC members would also impose production controls. Decreased production added further upward pressure on prices.[854] Again, Faisal's actions reinforced the unswerving push for greater revenue by the Shah of Iran. After meeting the Shah in Tehran in January 1973, Kissinger informed Nixon that he had "embarked on another course designed to reinforce his self-styled role as leader and originator of ideas in OPEC." This time the Shah emphasized price increases rather than production control.[855] Faisal's support of Sadat propelled OPEC's momentum toward

---

[851]Yusif Sayigh, "Oil in Arab Developmental and Political Strategy: An Arab View," in John Duke Anthony, ed., *The Middle East: Oil, Politics, and Development* (Washington: American Enterprise Institute, 1975), 39. On King Faisal and the radical oil producers, see: *FRUS, 1969-1976,* XXXVI, 254. Minutes of Washington Special Actions Group Meeting, November 29, 1973; *FRUS, 1969-1976,* XXXVI, 269. Memorandum of Conversation, December 20, 1973.
[852]Kissinger to Nixon, "Letter to you from King Faisal," August 17, 1971, RNL, NSF 761; Mordechai Abir, *Saudi Arabia in the Oil Era* (London: Croom Helm, 1988), 127.
[853] Kissinger to Nixon, "Connally and Lincoln visits to Saudi Arabia," n.d., RNL, NSF 1287.
[854]Dickman to Sisco, "Free World Oil Supply-Demand Picture," August 20, 1973, NARA, RG 59, CFP 1970-1973, PET 10 SAUD.
[855] Kissinger and Flanigan to Nixon, January 18, 1973, RNL, White House Central Files, Subject Files: Trade, Box 4.

attaining two principle tenets of permanent sovereignty, price and production control. OPEC announced a new price target of $6.00 per barrel in September 1973, even as Arab-Israeli tensions heightened.[856]

The Shah was elated. Since his victories over the oil companies between 1969 and 1971, he had continued to push for higher oil prices in order to pay for his expansive military and civil development projects. He espoused both the terms of trade theory and the doctrine of permanent sovereignty in discussing these domestic and regional considerations. When Italian journalist Oriana Fallaci interviewed him for *The New Republic* in late 1973, the Shah emphasized that increased oil prices were intrinsically connected to the high prices of finished goods from the West. "You've sent petrochemical prices rocketing," he told Fallaci. "You buy our crude and sell it back to us, refined as petrochemicals, at a hundred times the price you've paid us. You make us pay more, scandalously more, for everything, and it's only fair that, from now on, you should pay more for oil."[857]

Oil was a prime example of Prebisch's terms of trade thesis, according to the Shah. He placed OPEC within the long-standing Third World discussion over the low relative prices of raw materials. He also embraced a sort of oil exceptionalism. Not only did control over oil find its base in the terms of trade argument, OPEC members had elevated that argument to its natural apex. Soon after the Fallaci interview, the October War began. The Shah became convinced that the combined effects of the embargo and the initial price increase would lead to panic buying, which would drive prices higher. Michel Jobert, the French foreign minister, expressed his frustration to Kissinger. "It was

---

[856]Skeet, *OPEC*, 91.
[857] "An Oriana Fallaci Interview: The Shah of Iran," *The New Republic*, December 1, 1973.

clear," he said, "that the Shah was going to push for another major oil price increase by exploiting the current embargo."[858]

The OPEC ministers met again in Iran on December 22. The Shah convinced the other delegates to increase prices at that meeting.[859] The next day, to the great distress of American officials, he announced that the oil producers had agreed to more than double the price of oil from $5.11 to $11.65 a barrel. It was no surprise that the Shah energetically employed the egalitarian rhetoric of permanent sovereignty to defend that round of price hikes. "It is only equitable and just that the oil producing countries" had ended the era in which the industrial powers were "able to buy oil at ridiculously low prices."[860]

James Akins wrote from his new post as the ambassador of Saudi Arabia that the Saudi monarchy had urged him to relay the need to muzzle the Shah. But, he also noted that it was clear that the Saudi leadership held the same final aim for the price of oil despite statements to the contrary.[861] In an international economy characterized by the self-assurance of OPEC, Kissinger's initial linkage of the Arab-Israeli conflict to the price of oil was misguided. In fact, it carried on the enduring overconfidence of American policymakers, a trend that began when Eisenhower first snubbed OPEC in 1960.

---

858 Andrew Scott Cooper, *The Oil Kings: How the U.S., Iran, and Saudi Arabia Changed the Balance of Power in the Middle East* (New York: Simon and Schuster, 2011), 145.

859 AmEmbassy Iran to SecState, December 26, 1973, RNL, NSF 630; AmEmbassy Jidda to SecState, December 26, 1973, RNL, NSF 630; *FRUS, 1969-1976*, XXXVI, 276. Telegram From the Embassy in Saudi Arabia to the Department of State, December 30, 1973.

860 Telegram, AmEmbassy Vienna to SecState, "Shah's Press Conference," December 29, 1973, NARA, RG 59, CFP 73-76, ET.

861 Kissinger, *Years of Upheaval*, 885; *FRUS, 1969-1976*, XXXVI, 278. Telegram From the Embassy in Saudi Arabia to the Department of State, January 3, 1974; *FRUS, 1969-1976,* XXXVI, 284. Telegram From the Embassy in Saudi Arabia to the Department of, January 21, 1974.

Steeped in the orthodox conviction of energy security, the most influential voices within the Nixon administration questioned the influence of OPEC in 1973. Secretary of the Treasury George Shultz told European finance ministers that their fear of OPEC's control of global oil supplies was "overly alarmist."[862] Kissinger expressed consistent misgivings about the legitimacy of jeremiads from his oil experts.[863] At a nationally televised press conference in September, Nixon responded to a reporters' question about "oil as a club to force a change" in his Israel policy: "Oil without a market as Mr. Mossadeq learned many, many years ago, does not do a country much good." If Arab leaders continued to nationalize concessions and increase prices, "the inevitable result is that they will lose their markets."[864]

The comments from Nixon and his cabinet ignored the recent string of successes for OPEC. The oil ministers of the producing nations disputed the American sentiments. A week after the speech by Shultz, Yamani noted the "stark fact" that the multinationals had yielded power to the producers, who could "dictate the flow of oil and the price of oil" as they wished.[865] On the lower rungs of the American policymaking hierarchy, officials also found the confidence of their superiors unwarranted. The ambassador in

---

862 George Shultz, "Remarks at OECD Ministerial Meeting," June 6, 1973, RNL, Papers of Herbert Stein, Box 43.

863 MemCon, "Meeting with Oil Company Executives," October 26, 1973, NARA, RG 59, CFP 1970-1973, PET 6; *FRUS, 1969-1976,* XXXVI, 190. Memorandum of Conversation, August 8, 1973; James E. Akins, "The Oil Crisis: This Time the Wolf is Here," *Foreign Affairs* 51: 3 (Apr. 1973): 462-490. For other experts' predictions, see: Jahangir Amuzegar, "The Oil Story: Facts, Fiction and Fair Play," *Foreign Affairs* 51: 4 (Jul. 1973): 676-689; Carroll L. Wilson, "A Plan for Energy Independence," *Foreign Affairs* 51: 4 (Jul. 1973): 657-675. For a more skeptical perspective: Maurice A. Adelman, "Politics, Economics, and World Oil," *The American Economic Review* 64: 2 (May 1974): 58-67; Timothy Mitchell, "The Resources of Economics: Making the 1973 Oil Crisis," *Journal of Cultural Economy* 3: 2 (2010): 189-204.

864 Richard Nixon, "News Conference," September 5, 1973, in Wooley and Peters, *The American Presidency Project*.

865 *New York Times*, June 12, 1973, 45.

Riyadh reported in 1973 that it was unlikely the "gradualist salami tactics" of OPEC would ever end.[866]

Yamani complained to Akins in January 1974 that he was "extremely annoyed" by the constant American references to "Arab oil gouging."[867] Kissinger, undeterred, told Brent Scowcroft a week later, "If I was the President, I would tell the Arabs to shove their oil." Such a show of force "would get the embargo lifted in three days."[868] Reality was otherwise. Kissinger backed away from his manufactured impasse in February, delinking the peace process and oil prices in a joint press conference with Nixon's newly assigned federal energy administrator, William Simon.[869]

COHERENT DIPLOMACY: THE FREE MARKET

Kissinger's tacit admission of failure did not make him any less of a hawk on expensive oil. He was painfully cognizant by early 1974 of the existential challenge to the international economy posed by OPEC's permanent sovereignty. Simon helped Kissinger arrive at this opinion. British Chancellor of the Exchequer Denis Healey later characterized Simon as "far to the right of Genghis Kahn and totally devoted to the freedom of financial markets."[870] First in his new position as Nixon's "Energy Czar" and then Shultz's replacement at the Treasury, Simon would sharpen Kissinger's stand

---

866 DOS, Intelligence Brief, "Constraints on Oil Price Increases," September 26, 1973, NARA, RG 59, CFP 70-73, PET 14.

867 Telegram, AmEmbassy Jidda to SecState, "Saudi Petroleum Minister's Agreement to Work for Lower Oil Prices," January 21, 1974, FOIA Released Documents, U.S. Department of State Electronic Reading Room (hereafter, FOIA, ERR).

868 Telecon, January 30, 1974, Kissinger Transcripts, FOIA, ERR.

869 "Secretary Kissinger and Federal Energy Administrator Simon Hold Joint News Conference," *DSB* 70:1806 (February 4, 1974): 117.

870 Healey, *Time of My Life* (New York: Norton, 1989), 419. On Simon, see Robery Asen, "Ideology, Materiality, and Counterpublicity: William E. Simon and the Rise of a Conservative Counterintelligentsia," *Quarterly Journal of Speech* 95: 3 (Aug. 2009): 263-288; William Simon, *A Time for Truth* (New York: Reader's Digest Press, 1978) and *A Time for Action* (New York: McGraw-Hill, 1980). The first of these memoirs was ghostwritten by libertarian author Edith Efron.

against cartel power and high oil prices as the enemies of liberal capitalism and global economic health.

George Shultz worked with Simon in the endeavor. Like Simon, Shultz was a firm believer in the free market. In his diary, Federal Reserve Chairman Arthur Burns recorded that Shultz responded to OPEC price increases by invoking the market in a December 1973 cabinet meeting. The free market would "equate demand & supply," Schultz held, and eventually would force the price to drop to a "normal" level.[871] Burns did not share the trust in the market. "What a pity that this quiet, persuasive, but woefully ignorant ideologist has such influence with the president," he wrote.[872]

In close consultation with Simon and Shultz, Kissinger began in early 1974 to place greater emphasis on the noxious political effects of high prices, especially the threat of a "resource scramble" among Western industrialized countries. Kissinger believed bilateral deals between oil-producing and oil-consuming governments did more than bid up prices; they also caused portended a crippling internal contradiction for the Free World economy. If economic bilateralism grew, the political coherence of the West would dissipate. Initially, Kissinger emphasized multilateralism as a solution, by which he essentially meant concerted action among the major consumer countries to withstand the price increases. The multilateral emphasis soon fell to the wayside and was replaced by an ideological argument emphasizing the free market. In the end, American policy incorporated multilateral rhetoric into a broader economic interpretation centered on the free market.

---

871 Robert H. Ferrell, ed., *Inside the Nixon Administration: The Secret Diary of Arthur Burns* (Lawrence: University Press of Kansas, 2010), 112.
872Transcript of Arthur F. Burns' Handwritten Journals, Journal II (Blue Notebook), GFL, 31.

A multilateral response to OPEC by the industrial consumers made sense, Kissinger held at the start. “The industrial democracies could not permit themselves to be turned into panicked, paralyzed bystanders while the oil producers played fast and loose with the internal cohesion of their societies,” he wrote in his memoirs.[873] Kissinger hoped the producer societies could band together and resist the price increases. However, actions by other industrialized nations confirmed Kissinger’s concerns that OPEC’s “unilateralism” would lead to ruinous competition. Fearing that Western cohesion would antagonize the Arab members of OPEC, the nations of Western Europe and Japan blocked an official Declaration of Emergency in the OECD Oil Committee in November 1973. The declaration would have brought into action the new oil allocation system designed in the wake of the 1967 embargo. The failure further irritated Kissinger, who was still dyspeptic over the NATO allies’ refusal to assist in the Israeli airlift.[874]

The world’s two largest oil companies, Exxon and Shell, attempted to lower prices in November by reducing their profit margins. Oil auctions by Tunisia, Nigeria, and Iran nonetheless garnered bids of up to $17 per barrel the following month. Walter Levy found the scramble for oil “extraordinary.”[875] Competitive devaluations of national currencies also loomed as a problem, confirming American concerns. The French government announced in January 1974 that it would float the franc outside of the European currency snake.[876] Unlike the oil-for-arms contract with Libya in 1971 or the

---

[873] Kissinger, *Years of Upheaval*, 668.

[874] *FRUS, 1969-1976,* XXXVI, 235. Memorandum From the Under Secretary of State for Economic Affairs (Casey) to Secretary of State Kissinger, November 3, 1973; *FRUS, 1969-1976*, XXXVI, 243. Memorandum of Conversation, November 20, 1973; *FRUS, 1969-1976,* XXXVI, 262. National Intelligence Estimate, December 5, 1973.

[875] Kapstein, *The Insecure Alliance*, 168; Schneider, *The Oil Price Revolution*, 235-237; Walter Levy, “Policy Implications of Exploding World Oil Costs,” January 4, 1974, NARA, RG 59, Lord Files, 346.

[876] In the post-Bretton Woods era of floating currencies, European countries have made several attempts to link their currencies to prevent large fluctuations. The European Monetary System, or the currency snake, was the first. Between 1972 and 1979, several European countries agreed to prevent rate fluctuations of greater than 2.25 percent.

1972 oil contract after the Iraqi nationalization, the franc float could not be reasonably depicted as a rearguard steadying of the international political economy. French diplomacy was a "classic beggar-thy-neighbor tactic," the State Department's European desk wrote. The float was designed to undervalue the currency and "unload France's oil-related trade deficit on its European partners."[877] The devaluation would increase pressure on other countries to artificially stimulate their export earnings. Immediately, the International Monetary Fund joined the United States in calling upon other countries to refrain from responding to their new oil deficits by competitively cheapening their currencies.[878]

In addressing the linked problems of an oil scramble and the potential for competitive devaluations, Kissinger emphasized cooperation among industrial countries in late 1973 and early 1974. He combined free market and multilateral language in doing so. The oil price increases had little to do with economic laws of supply and demand, Kissinger told his staff and the leaders of other nations. It was only the absence of a united consumer front, what became known as a "consumer cartel," that allowed OPEC to raise prices so spectacularly.[879] Continued industrial disunity legitimized the price increases, he believed. Kissinger proposed the creation of an "Energy Action Group" among the industrial democracies to counter the trend. Although they cited concerns that collective action among the consuming nations would provoke OPEC, the foreign and finance ministers of Great Britain, France, West Germany, and Japan accepted

---

[877]Action Memorandum, Sonnenfeldt and Lord to Kissinger, "Secretary Shultz' Questions," January 29, 1974, NARA, RG 59, Lord Files, 346.
[878]Committee of Twenty, Communiqué, January 1974, World Reports, Archives of the International Monetary Fund (hereafter, WR, IMF).
[879] H. S. Houthakker, "Policy Issues in the International Economy of the 1970's," *The American Economic Review* 64: 2 (May, 1974): 138-140; "OPEC Moves to Check Consumer Cartel," *Oil & Gas Journal* (March 26, 1973): 42; *FRUS, 1969-1976*, XXXVI, 235. Memorandum From the Under Secretary of State for Economic Affairs (Casey) to Secretary of State Kissinger, November 3, 1973.

Kissinger's unprecedented group invitation to Washington for a conference in February 1974.[880]

The multilateral emphasis on a united consumer front began to diminish in the two months leading up to the Washington Energy Conference. To be sure, Kissinger, Simon, and Shultz continued to tout the consumer counter-cartel, but the free market argument became strikingly more prevalent. The United States worked earnestly to label expensive oil not only an economic threat but also an ideological menace of global proportions. American diplomacy identified "OPEC unilateralism" as an illiberal bogeyman, a negative counter-image of the free market. American policy began to demonize OPEC and make the parallel argument that the free market was the only rational system capable of meeting the new global challenge of expensive oil.

Public rhetoric skimmed over a more complex economic reality. Kissinger, Simon, and Shultz worked to portray the price increases as representative of a greater ideological struggle. However, most policymakers and economists understood the problem in a far more complicated context in which the price increases stoked an inflamed sense of uncertainty about Western prosperity.

The transition in the international political economy from stability to instability in the early 1970s is one of the most important stories of the twentieth century. In the quarter century after World War II, the United States and its Cold War allies experienced unprecedented economic growth, creating affluence that had an indelible impact on American diplomacy. The postwar sense of abundance, imbued in Keynesian economic principles, captured the imagination of the nation's most influential commentators. The

---

880 Robert Lieber, *Oil and the Middle East War: Europe in the Energy Crisis* (Cambridge, Mass.: Harvard Center for International Affairs, 1976), 10-15; Kissinger, *Years of Upheaval*, 896; *FRUS, 1969-1976,* XXXVI, 286. Memorandum From Charles A. Cooper of the National Security Council Staff to Secretary of State Kissinget, January 21, 1974.

young Philip Roth satirized the copious feeling in *Goodbye Columbus* in 1959: "Fruit grew in their refrigerator and sporting goods dropped from their trees!"[881] Economist Paul Samuelson proclaimed grandly, "[W]e as the artists, mixing the colors of our palette, can have the capital formation and the rate of current consumption we desire."[882] Such sentiments reflected a broad American belief in permanent prosperity, a conviction that extended across party lines and through presidential administrations.[883]

Even so, the fabric of postwar affluence was wearing thin. A new sense of economic insecurity had begun to permeate American culture, resulting largely from problems for the American balance of payments and, subsequently, the U.S. gold stock and value of the dollar. The deterioration was rooted in the "politics of productivity" of the early Cold War. Policymakers agreed that international cooperation in the pursuit Western European and Japanese economic growth would protect those countries from predatory communism.[884] In 1949, the United States thus allowed Europe and Japan to break the trade liberalization standards signed at Bretton Woods in 1944.[885]

European currencies became convertible after 1958 and the deficit became a growing threat to international economic stability.[886] Within the burgeoning, mostly unregulated Eurodollar market, speculative capital flows based on national interest rate

---

881 Philip Roth, *Goodbye Columbus* (Boston: Houghton Mifflin, 1959), 43.
882Stein, *Pivotal Decade*, 4.
883 See the similarity between Johnson's farewell address and Nixon's inaugural: "The Last Message- And Adieu," *Time*, January 24, 1969; Richard M. Nixon, "Inaugural Adress," January 20, 1969, in Wooley and Peters, *The American Presidency Project*.
884 Charles Maier, "The Politics of Productivity: Foundations of American International Economic Policy after World War II," in *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States*, ed. Peter J. Katzenstein (Madison: University of Wisconsin Press, 1978), 23-50.
885 Paul Hirst, "The Eighty Years' Crisis, 1919-1999 – Power," *Review of International Studies* 24 (1998): 144; Barry Eichengreen, *Globalizing Capital: History of the International Monetary System*, 2nd ed. (Princeton: Princeton University Press, 2008), 118-122; Thomas Zeiler, *American Trade and Power in the 1960s* (New York: Columbia University Press, 1992), 21-33.
886 Zeiler, *American Trade*, 47-50.

changes soon became second nature. The American trade deficit mounted, the dollar weakened, and currency speculation reinforced a macabre feedback loop. The volatile mix of fixed exchange rates, the American deficit, and increased capital movement had seriously jounced the international political economy by the end of the decade.[887]

To stem speculation against the dollar, the Johnson administration increased capital controls after the 1967 sterling crisis.[888] One of Nixon's campaign promises was to bring an end to the controls. In his first cabinet position as director of the Office of Management and the Budget, George Shultz made the removal of capital controls a priority. Citing future supply-side visionary Arthur Laffer, Shultz argued that the "prestige costs" and "economic costs" of capital controls far outweighed their balance-of-payments benefits.[889] The Nixon economic team relaxed controls and began to push Europe and Japan to alter their exchange rates and open their markets to American exports. Between 1970 and 1972, world monetary reserves doubled from $79 billion to $159 billion. By 1973 gold accounted for less than a quarter of dollar-denominated international reserves. The United States suspended dollar convertibility into gold in 1971 and the European Common Market countries floated their currencies against the dollar in 1973.[890]

---

887 Gavin, *Gold, Dollars and Power*, 173-185; Stein, *Pivotal Decade*, 30-32; Eichengreen, *Globalizing Capital*, 132-136.

888Galpern, *Money, Oil, and Empire*, 268-286; Gavin, *Gold, Dollars and Power*, 188-190.

889 Shultz to the Members of the Council on International Economic Policy, "Capital Control Programs," March 2, 1971, RNL, NSF 218; Eugene F. Fama and Arthur Laffer, "Information and Capital Markets," *The Journal of Business* 44: 3 (July 1971): 289-298. Laffer had just received his PhD in economics at Stanford. See also: Eugene F. Fama, "Efficient Capital Markets: A Review of Theory and Empirical Work," *The Journal of Finance* 25: 2 (May 1970): 383-417. Shultz faced disagreement, especially from the Treasury's more cautious undersecretary for monetary affairs, Paul Volcker: *Foreign Relations of the United States, 1969–1976*, Volume III, Foreign Economic Policy: International Monetary Policy, 1969–1972 (Washington: GPO, 2008), 60. Memorandum From the Under Secretary of the Treasury for Monetary Affairs (Volcker) to the President's Assistant for International Economic Affairs (Peterson), April 1, 1971 (hereafter, *FRUS 1969-1976,* III).

890 Stein, *Pivotal Decade*, 39-50; Alan Matusow, *Nixon's Economy: Booms, Busts, Dollars, and Votes* (Lawrence: University of Kansas Press, 1997), 117-148; Paul Volcker and Toyoo Gyohten, *Changing*

The Bretton Woods order had perished. Global monetary policies formed a complex environment in which oil prices now played a central role. With little dissent, though, academics, journalists, and policymakers identified cheap oil as critical to continued Western economic growth. In one characteristic instance, State Department analysts reminded Kissinger that postwar affluence had been driven by "abundant low-cost petroleum supplies."[891] Expensive oil compounded the existing uncertainty in the international political economy. Kissinger understood that the basis for international prosperity had changed dramatically and that oil was a part of it. "Economic relationships are changing more rapidly than the structures which nurtured them," he said in December 1973. The Arab oil embargo had "made a chronic crisis acute...but a crisis was coming in any event." Kissinger emphasized the problem of oil as exemplary of the larger lesson of "distinguishing the long-range from the ephemeral."[892]

Whether purposeful or subconscious, the new emphasis on oil prices glossed over a more complex situation. The decision to place diplomatic stress on expensive oil marked a new direction for U.S. diplomacy toward the energy crisis. Kissinger began to call greater attention to the free market. The same week, he changed part of a speech to NATO leaders to underscore the evils of expensive oil. "Western societies face a disaster in continuing down the road of unlimited competition for natural resources," Kissinger gravely intoned. He emphasized the anti-liberal nature of cartel power and railed against his European allies for surrendering to it. "A return to economic nationalism [would] destroy our political unity and bring on global depression." NATO members needed "to

Fortunes: The World's Money and the Threat to American Leadership (New York: Three Rivers Press, 1993), 107-11; Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: Norton, 2006), 361-369.

891 Katz and Lord to Kissinger, "U.S. Oil Policy – The International Dimension," November 3, 1973, NARA, RG 59, Lord Files, 346.

892 Henry Kissinger, "The United States and a Unifying Europe: The Necessity for Partnership," Department of State *Bulletin* 69: 81 (December 31, 1973).

join together to ensure that the world's great democracies are never held to ransom again," just as "the men of vision" who formed the Marshall Plan had done.[893]

Aside from the delicious irony evident in Kissinger's invocation of the Marshall Plan, an irony likely not perceived by the speaker or his audience, a close reading of the speech leads to two conclusions. First, the leaders of the Western industrial world took the application of permanent sovereignty by OPEC very seriously indeed, a long cry from earlier descriptions of it as an unfeasible concept. Second, Kissinger's December 1973 speeches downplayed the unsteady context into which higher oil prices were introduced, emphasizing instead the noxious effects of OPEC's price control.

Simon buttressed the tactic with an analysis of the global oil market that laid the problem of expensive oil at the doorsteps of a greedy OPEC and panicked European governments. In a briefing paper for Kissinger in January 1974, he described the new prices as "emotional" and called European actions a "senseless bidding up of the price of crude oil on the world market."[894] In 1974 and 1975, Kissinger and Simon would continue to attack expensive oil and what they argued was its root cause, OPEC "unilateralism," as the primary culprits for international economic woes. In squarely setting "pressures toward unilateralism," defined by the State Department as "nationalization, cartel-like action, beggar-thy-neighbor trade and payments action," against "an open and interdependent world economy," U.S. foreign policy used expensive

893 Lord to Kissinger, Tab A, October 5, 1973, NARA, RG 59, Lord Files, 346; "Secretary Kissinger's Address," December 10, 1973, Records of Secretary of the Treasury George P. Shultz, 1971-1974, Box 7, Secretary of State, General Records of the Department of the Treasury (hereafter, NARA, RG 56, Shultz Records, 7, Secretary of State).

894 Simon to Shultz, n.d. (January 1974), NARA, RG 56, Shultz Records, 4, '74 Energy.

oil to move the complex economic concerns of the mid-1970s into a Manichean political context.[895]

The treatment of expensive oil culminated a long search within the Nixon administration for a more consistent ideological standpoint toward the international economy. The administration began to search for coherence in January 1971, when Nixon ordered the director of the new Council on International Economic Policy, Peter Peterson, to carry out a wholesale reassessment of foreign economic policy. In April, Peterson reported what many economists and government officials already knew—the American economic superiority undergirding the postwar system had disappeared. Peterson did not just recommend that the Nixon administration incorporate economic considerations more fully into foreign policy. Even further, he suggested that the Nixon administration reverse its priorities by placing foreign policy in service of the international economy.[896]

The Peterson report left to it to others to figure out the conceptual link between economic considerations and foreign policy. Following the Peterson report, Fred Bergsten of the NSC told Kissinger that it would be necessary to "increase the 'economic' content of foreign economic policy," but the notoriously territorial Kissinger resisted an economic turn in his diplomacy.[897] Kissinger's resistance weakened in 1973. Nixon assigned Shultz the chairmanship of a new Council on Economic Policy in February. The first meeting discussed the importance of "communicating a visible

---

[895]Briefing Memorandum, Lord and Enders to Kissinger, "Following Up Your UN and OAS Speeches," n.d. (May 1974), NARA, RG 59, Lord Files, 345.
[896]"Minutes of the First Meeting of the Council on International Policy," April 8, 1971, RNL, Presidential Office Files; "Memoranda for President 4/4/71," RNL, Presidential Office Files.
[897]*FRUS, 1969-1976,* III, 64. Bergsten to Kissinger, "Your Meeting with Pete Peterson," April 21, 1971.

economic philosophy that expresses the unifying themes of our own policy."[898] However, although Shultz wrote in the council's first agenda that "greater economic freedom" was the ultimate "political and moral objective" of American policy, he wrote, the council struggled to find a *cause célèbre* for the argument.[899]

Kissinger also had become concerned with the problem of the relationship between international politics and economics. In his first discussion with Simon about "oil and other things" in August 1973, Kissinger raised the "tender problem" of economic diplomacy—the State Department had "no ability now to systematically sell it politically." Rather, economic diplomacy functioned "on technical economic grounds on its own merit." The inconsistency, Kissinger complained to Shultz, was inadequate.[900] As Shultz, Kissinger, and Simon began to work together in preparation for the Washington Energy Conference in February 1974, language attacking OPEC on the grounds of its practice of permanent sovereignty would provide coherence. The attack on "unilateralism" transmuted into a workable agenda Shultz's desire for a moral and political substantiation of his economic philosophy and Kissinger's need to "sell" economic diplomacy.

Policy recommendations from within the State Department helped Kissinger shape the agenda. Kissinger requested a report on the "international dimension" of American oil policy in November 1973. The authors of the report were Winston Lord and Julius Katz, the director of the department's Economics Bureau. In their 19-page report, Katz and Lord held that above all American diplomacy needed to "arrest the trend

---

898Clarke to Dam, "New Issues, CEP Meeting," February 26, 1973, NARA, RG 56, Shultz Records, 3, CEP.
899Agenda, "Toward a Strategy for Economic Policy," January 11, 1973, NARA, RG 56, Shultz Records, 3, CEP.
900 Shultz and Kissinger, August 15, 1973, RNL, Henry Kissinger Telephone Conversation Transcripts, Chronological File, Box 21(hereafter HAK Telcons, CF, 21).

toward unilateralism, the imposition on consumers of ever higher prices, and the progressive extension of producer influence and control."[901]

The Treasury Department further injected a market-driven analysis into the critique of expensive oil. In his first report as the chair of Nixon's new Energy Action Group in January 1974, Shultz concluded that "the cartelization of oil" and "the magnitude of the price increases, should not be accepted."[902] Shultz "strongly asserted that the price of oil now existing was intolerably high" to the Executive Board of the International Monetary Fund the same month. He hoped, as did Kissinger, that his statement would help to "build up resistance to further price increases."[903]

In both the State and Treasury analyses, OPEC "unilateralism" had driven prices to an artificially high level. Only multilateral cooperation among the industrialized consumers could bring prices down. On January 31, 1974, Kissinger told his staff that the proceedings of the Washington Energy Conference would emphasize the ideological schism between unilateralism and multilateralism and the need to counter OPEC's "cartel power" with "consumer solidarity." Responding to a staff member's argument that it was necessary to downplay the confrontational aspect of the industrial cohesion, Kissinger exploded: "We have said it a hundred times and it's bull!" He had convened the conference, "of course...to create a united front. That's the only purpose." The other countries needed to be reminded that they had

> no other choice except common disaster or a multilateral approach—if we cannot organize ourselves, then we really are in the condition of Greek cities facing Macedonia or Rome. The only way the consumers can

901 Katz and Lord to Kissinger, "U.S. Oil Policy – The International Dimension," November 3, 1973, NARA, RG 59, Lord Files, 346. Katz would later become the United States' chief negotiator for the North American Free Trade Agreement.

902 Secretary's Staff Meeting, January 8, 1974, DNSA, KT.

903 Herbert Stein, "Meeting with Shultz, Ash, and Stein," January 21, 1974, RNL, White House Special Files, President's Office Files, Box 93 (hereafter, WHSF, POF, 93).

> protect themselves against what is a revolution in international finance, in international economics, is to share a common perception of the problem and organize it.[904]

The singular purpose of the Washington Energy Conference, Kissinger wrote immediately afterwards, was the formation of a "counterweight to OPEC."[905]

Kissinger, Shultz, and Simon met Nixon in the Western White House in San Clemente two days before the conference. The president, beleaguered by the Watergate scandal, hoped the three would not be "forced into a position where the Europeans go into business for themselves or where it looks like a confrontation with the producers." Nixon also raised the stakes, telling Kissinger to "talk turkey" to the "technical types" at the conference. If his European counterparts did not line up with American-led multilateralism, Kissinger should tell them they could not "expect us to hold our military role." Kissinger supported Nixon, telling him, "We have never failed by being strong."[906]

Hours after leaving California, Kissinger reminded Shultz and Simon that the Washington Energy Conference would take place "against the background of intense concern that the energy crisis could plunge the world into a period of economic, and potentially political, instability." The other countries' "go-it-alone" attitude could "snowball into a ruinous competition." The American objective was clear: "*we need to demonstrate that the energy crisis is manageable through multilateral cooperation*."[907]

Shultz, Simon, and Kissinger all drove home the benefits of multilateralism at the conference. In doing so, they continued to employ free market logic. Kissinger told the British, German, French, and Japanese foreign ministers in the opening speech of the summit: "The energy crisis indicated the birth pains of global interdependence. Our

---

904 Secretary's Staff Meeting, January 31, 1974, DNSA, KT.
905 State Department, Decision Memorandum, February 4, 1974, DNSA, KT.
906 Memcon, "The Washington Energy Conference," February 9, 1974, RNL, NSF 1028.
907 Kissinger, Agenda, "Meeting with Kissinger, Shultz, and Simon," February 9, 1974, *DDRS* CK2349529063, italics in original.

response could well determine our capacity to deal with the international agenda of the future." The "manipulation" of OPEC's raw material supply represented "the ultimate challenge...to the fragile fabric of international principles and institutions," he continued. Failure to cooperate multilaterally "would threaten the world with a vicious cycle of competition, autarky, rivalry, and depression such as led to the collapse of the world order in the thirties."[908] Simon and Shultz encouraged Kissinger to strengthening the language on the "non-sustainability of present oil prices."[909] Kissinger accepted the advice, telling the ministers that the "quantum increase in prices...are simply not sustainable."[910]

Simon then lit into the ministers, telling them that their "unconstrained bilateral deals" had helped legitimize "the sharp and sudden upswing in prices."[911] Following Simon, Shultz argued that even "the best cooperative efforts" could not offset the damage caused by "the abrupt and spectacular increases in oil costs." In the face of the problem, Shultz emphasized market freedom: "At a time of vast new uncertainty....we must agree to keep open our markets for goods and capital and to avoid the temptations of competitive devaluations."[912] That night, at a special White House dinner, Nixon echoed the previous formulations. Individual action threatened to "drive up prices, drive down our economies, and drive us apart."[913]

The dual emphasis on multilateralism and the market was more than public diplomacy directed at the finance and foreign ministers of the industrialized countries.

---

908 "Statement by Secretary Kissinger," Department of State *Bulletin* 70 (March 4, 1974), 201.
909 Lord to Kissinger, "Your Speech to the Energy Conference," February 8, 1974, PPC, Lord Files, 345, RG 59, USNA.
910 "Statement by Secretary Kissinger," Department of State *Bulletin* 70 (March 4, 1974), 202.
911 "Statement by Mr. Simon," Department of State *Bulletin* 70 (March 4, 1974), 207, 210, 215.
912 "Statement by Treasury Secretary Shultz," Department of State *Bulletin* 70 (March 4, 1974), 215, 216.
913 Lord to Kissinger, "President's Remarks for the White House Dinner," February 9, 1974, NARA, RG 59, Lord Files, 345.

The two points fused together at the foundation of Kissinger's diplomatic thought. Kissinger penned a long, comprehensive memorandum to his assistant secretaries, entitled simply "Foreign Policy Goals," in May 1974. Free-market objectives complemented multilateralism in his synthesis. The two major tasks of the State Department were to strengthen the department's ability to formulate policy recommendations in conceptual terms and institutionalize "a lasting framework for the planning and execution of American foreign policy." To achieve the organizational ends, Kissinger enumerated a number of "broad policy goals." His belief in "a growing and open world economy" was central to each.

Because of the dramatic changes in "the global structure," Kissinger continued, American foreign policy faced the challenge of "a more open fluid environment" in which "a new structure of lasting qualities has yet to emerge." In a market-based conception of multilateralism, Kissinger wrote that the new structure could be characterized either by international competition or collaboration. Economic changes had "compressed the planet" and multiplied the consequences of national competition. Multilateral collaboration, on the other hand, would guarantee international stability. Only by taking into account "the global interest," could nations effectively pursue their national interest. At the same time, economic growth through the free market was central to Kissinger's formulation. The tenets of the free market would drive multilateralism. Just as "national security requires global security," he concluded, so too did "national prosperity require an expanding global economy."[914]

[914] Kissinger, Memorandum to all Assistant Secretaries and Office Heads, Attachment: "Foreign Policy Goals," n.d. (May 1974), NARA, RG 59, Lord Files, 346.

ECONOMIC REALISM AND AMERICAN TRADITION

The "Kissinger-Simon hard-line" against OPEC, as one British policymaker labeled U.S. policy, was not foreordained. Rather, it emerged in a particularly fluid context in which multiple formulations competed for international legitimacy.[915] Still, the market-multilateral position became entrenched in 1974. The U.S. response to the oil price crisis proved influential in shaping not only American diplomacy, but also the future agenda of the international economy, coloring the limits of permanent sovereignty.

In one revealing case, the United States worked to diminish the role of the International Monetary Fund in dealing with the investment of the gargantuan surpluses of the oil-producing countries after the price increases. Simon summarized the problem of "petrodollar recycling" for Gerald Ford in July 1974: "The situation is troublesome—there are a number of producers with a lot of money, nowhere to spend it, and the banks and financial markets are in trouble. Oil prices have created great instability in the international financial markets."[916] The twin emphasis on multilateralism and the free market evident in the Washington Energy Conference preparations and Kissinger's May 1974 memo skewed definitively toward the latter as petrodollar recycling became a bigger problem. The dominance of the free market position was clear by June 1975, when Ford made his strongest statement on oil prices. Any further increases in world prices would be considered "a serious act...totally without economic justification," the president said. "If free market principles were to apply," a price cut was imminent.[917]

---

915 Simon's effect on policy notes this contingency. As late as August 1973, Kissinger had to ask Shultz to remind him of Simon's first name. See: Telephone Conversation, Kissinger and Shultz, August 15, 1973, RNL, HAK Telcons, CF, 21.

916 Memorandum of Conversation, Ford, Simon, and Scowcroft, July 9, 1974, GFL, NSA Memcons.

917 Telegram No. 2009, Washington to FCO, "OPEC and World Oil Prices," June 11, 1975, UKNA, FCO/96.

The principles of the free market may be deeply engrained in the American psyche as a basic right.[918] But American diplomats adopted a new energetic free-market argument regarding the question of petrodollars in 1974. The petrodollar question was closely linked to the interpretation Simon, Shultz, and Kissinger shared regarding OPEC "unilateralism." Predictions of the size of the petrodollar transfer from oil consumers to producers increased throughout 1974. The quantities of international capital transferred from consumers to producers, as wide-ranging as predictions were, marked an unprecedented event. Analysts at Morgan Guaranty noted the potential extent of these surpluses in mid-1974, citing World Bank and OECD estimates of a cumulative OPEC surplus of $300 and $650 billion by 1980.[919]

The debts of oil-consuming countries matched these surpluses and represented a serious problem. How would the debtors finance their loss? Where would the newfound wealth of the oil producers go? No one knew for sure. The International Monetary Fund reported that there was "no reason to expect" that capital flows from OPEC deposits would match the individual deficits of the consumer countries.[920] The lack of time-tested strategies for guiding OPEC's newfound wealth back into the economy engendered much anxiety. It would be difficult to exaggerate the sense of urgency felt by new debtor countries that had no confidence that their financial needs would be met.

---

918 Michael H. Hunt, *Ideology and U.S. Foreign Policy* (New Haven: Yale University Press, 2009), 213-219; David Milne, "America's 'Intellectual' Diplomacy," *International Affairs* 86 (2010): 49-68; Andrew J. Bacevich, *American Empire: The Realities and Consequences of U.S. Diplomacy* (Cambridge, Mass.: Harvard University Press, 2002), 32-54; Thomas W. Zeiler, *Free Trade, Free World: The Advent of GATT* (Chapel Hill: University of North Carolina Press, 1999), 1-19; Alfred Eckes, *Opening America's Market: U.S. Foreign Trade Policy Since 1776* (Chapel Hill: University of North Carolina Press, 1999).

919 Rimmer de Vries, "The Build-up of OPEC Funds," *World Financial Markets* (Morgan Guaranty Trust, September 23, 1974).

920 Staff Report, "A Facility to Assist Members in Meeting the Initial impact of the Increase in Oil Import Costs," February 19, 1974, Records and Reports of the Oil Facility, 1974-1977 (hereafter, Oil Facility Records), IMF.

Most countries agreed that petrodollar recycling required an increase in multilateral financial cooperation, likely through substantial new credit lines in the International Monetary Fund funded by oil producers.[921] The managing director of the Fund, Johannes Witteveen, proposed the first of these credit lines in January 1974. The "Witteveen facility" sought to mitigate "the very large deterioration" of the current accounts of "the overwhelming majority of countries."[922] Witteveen argued that the Fund would ensure an "equitable and prudent" recycling of OPEC money. To preempt the free market critique, he carefully positioned the Witteveen facility as "an alternative and supplement to market flows."[923]

The Witteveen facility found strong support in Europe and Japan but was immediately opposed by the United States. Kissinger, Simon, and Shultz dissented on the basis that the credit line legitimized expensive oil and undercut Kissinger's initiative for a consumer counter-cartel. Shultz told Nixon that the United States should not "too readily bail out oil-importing countries...lest that weaken the resolve to get the price down."[924] The U.S. government worked to curb the Witteveen facility throughout 1974. Beginning in September, Simon and Kissinger also quashed a British proposal for a second, larger credit line.

American opposition to the Witteveen facility stemmed primarily from the belief that debt relief would legitimize OPEC's price increases. Simon maintained that financial markets could manage the problem of investment if prices dropped. Following

921 *FRUS*, 1969-1976, XXXI: Foreign Economic Policy, 1973-1976, 64. Memorandum, Bennett to Simon, May 9, 1974

922Staff Report, "A Facility to Assist Members in Meeting the Initial impact of the Increase in Oil Import Costs," February 19, 1974, Oil Facility, IMF.

923 Annex A, "Development of the IMF Oil Facility," October 9, 1974, UKNA, FCO 96/6.

924 Herbert Stein, Memorandum for the President's File, "Meeting with Shultz, Ash, and Stein,"" January 21, 1974, RNL, WHSF, POF 93.

the free market school of thought, Kissinger and Simon also posited that even if prices did not stabilize, petrodollar recycling needed to occur through the private capital market rather than a controlled public system.[925]

As a first step to limit the Fund's role, Simon pushed for a series of mandatory conditions for countries that used the Witteveen facility. The central requirement was that borrowing should be allowed only for countries that relaxed their capital controls, as the United States had continued to do since 1971. The conditions internationalized Shultz's domestic crusade against capital controls. Simon abolished the remaining controls in the United States in 1974, accelerating the global process. These two decisions forced states to borrow mostly in open capital markets.[926]

The emphasis on private capital in petrodollar recycling became central to American diplomacy emphasizing the free market.[927] Simon explained the objectives to a House subcommittee in late 1974: "Our analysis of the forces underlying the energy markets has led us to the conclusion that the present level of oil prices is unjustifiable and that there can be no fundamental solution to the energy crisis without a reduction in the inflated price of oil." Because oil prices were unnaturally high, Simon said, the United States was not attracted to "purely financial 'recycling' schemes, for these would treat only the symptoms and not the root of the problem itself."[928]

---

[925]Memorandum of Conversation, Ford, Simon, and Scowcroft, July 9, 1974, GFL, NSA Memcons.

[926]Helleiner, *States and the Reemergence of Global Finance*, 111-112; Margaret De Vries, *The International Monetary Fund, 1972-1978*, vol. 2 (Washington, D.C.: IMF, 1985), 314-336; Susanne Soederberg, "The Transnational Debt Architecture and Emerging Markets: the Politics of Paradoxes and Punishment," *Third World Quarterly* 26: 6 (2005): 927-929.

[927]Helleiner, *States and the Reemergence of Global Finance*, 112; Spiro, *The Hidden Hand of American Hegemony*, 107-126; Susan Strange, *Casino Capitalism* (Oxford: Basil Blackwell, 1986), 43-45; Saskia Sassen, *The Global City: London, New York, Tokyo* (Princeton: Princeton University Press, 1991), 83.

[928] Statement by the Honorable William E. Simon, Secretary of the Treasury, Before the Subcommittee on International Finance, House Committee on Banking and Currency, December 3, 1974.

Simon hoped that the U.S. financial market, rather than the International Monetary Fund, would be the primary recipient of petrodollars. Lifting American capital controls served that purpose by allowing more American banks to accept greater quantities and amounts of petrodollar deposits. Simon reported to the Senate in September 1974 that the U.S. financial market had grown massively since the beginning of the energy crisis. Capital controls no longer limited the size of short-term deposits in New York. Of the $17.2 billion inflows of short-term capital reported by U.S. banks, he estimated that $7 billion came from OPEC nations.[929] By emphasizing the liberalization of petrodollar flows, Simon hoped the vigor of the U.S. financial market would preserve a dominant American position in international finance.[930]

Other observers felt less confidence in the ability of the private market to cope with petrodollar flows effectively or equitably. In June 1974, the Secretary General of the Organization of Economic Cooperation and Development, Emile van Lennep, expressed his frustration with U.S. policy: "We just cannot assume that private market arrangements can efficiently cope both with absorbing the surpluses and with directing them where they are needed."[931] Analysts worried in particular that the pressure on the capital base of Western banks would reach a point at which the banks would be unable to accommodate further deposits. American bankers, including the Chairman of the Federal Reserve, Arthur Burns, also questioned the ability of the financial system to handle oil money. Burns contradicted Shultz's advice that Kissinger "tone down" doubts that the

---

929 William Simon, Material Submitted for the record to the Senate Permanent Subcommittee on Investigation, September 18, 1974.

930 Helleiner, *States and the Reemergence of Global Finance*, 113-114; Spiro, *The Hidden Hand of Hegemony*, 444.

931 Record of Meeting between the Secretary of State for Foreign and Commonwealth Affairs and the Secretary General of the OECD, June 21, 1974, UKNA, Treasury: Overseas Finance Group: Finance (International Monetary) Division, Folder 268 (hereafter, T 354/268).

financial markets might not be able to handle the recycling of funds without the help of the International Monetary Fund. Burns believed that the capital markets would be "strained to handle recycling."[932]

International pressure for multilateral involvement in petrodollar recycling grew throughout 1974. Most observers thought the International Monetary Fund should enlarge the Witteveen facilities. The Fund supported Burns' and van Lennep's analyses in an internal report. Analysts admitted that the ability of the private market to recycle petrodollars had been "reasonably good." Still, analysts found preoccupying the "marked break in the customary patterns of international capital flows." As prices remained high, the "structural problem" of the ballooning deficits of the oil consuming nations would only increase in severity. Furthermore, as the debtors' deficits grew, they would become less credit-worthy. Investment would waver and private funds would inevitably dry up in the medium-term. "There is no assurance, and indeed little likelihood, that the aggregate flow of funds...will be adequate, in direction and volume, from the point of view of the world economy," the Fund team concluded.[933]

The British Treasury also had serious misgivings about leaning so heavily on the market. Economists there agreed with their counterparts in the International Monetary Fund. The Western governments could not "rely entirely upon the free market system," because the banking system would "suffer some constipation." Furthermore, many countries would not be able to afford the higher interest rates that would inevitably follow as their deficits grew. The Chancellor of the Exchequer, Denis Healey, thus began to call for the preservation of multilateral channels to absorb OPEC money. The largest would

---

932 Lord to Kissinger, Your Speech to the Energy Conference," February 8, 1974, NARA, RG 59, Lord Files, 345.

933 Research Department, "Adequacy of Present Financing Arrangement of Oil Surplus Funds," November 12, 1974, Oil Facility Records, IMF. See also: Tom Cutler, "Recycling Petrodollars to the Third World: A Critique of the IMF Oil Facility, *World Affairs* 39: 3 (Winter 1976/1977): 189-205.

be a second Witteveen fund. Johannes Witteveen agreed with Healey: a second oil facility would help the debtors adjust to the burden of expensive oil.[934]

Meanwhile, Simon and Kissinger continued to insist that OPEC lower prices, which they hoped would alleviate some of the pressure on the financial market. Kissinger met several times with Faisal on his Middle East shuttles and consistently pressed the point.[935] Simon made a long trip to the Middle East and then to Europe in July 1974. In the Middle East, Ford instructed him to raise the problem with King Faisal that "current oil prices cannot go on." (Ford also expressed his doubts that "you can do very much as long as the Shah holds up the prices."[936]) Simon then suggested to Kissinger that they try to persuade the Shah, but Kissinger demurred, reminding Simon and Ford of Iran's strategic role as a regional policeman.[937]

After failing on the Middle East leg of his trip to convince OPEC leaders to freeze prices, Simon proposed a new summit meeting of the Western finance ministers.[938] He received a lukewarm response, which prompted Kissinger to telephone his counterparts to suggest expanding the finance meeting to include foreign ministers, as at the Washington Energy Conference. In his conversation with the British foreign secretary, James

---

934 Graham to Prime Minister, "Petrodollars," January 22, 1975, UKNA, Cabinet Office: Chancellor of the Duchy of Lancaster: Registered Files, Folder 15 (hereafter, CAB 197/15); Johannes Witteveen, "Respective Roles of Private Markets, Oil Facility, Described by Witteveen," *IMF Survey* (May 6, 1974); Denis Healey, "Oil, Money and Recession," *Foreign Affairs* 58: 2 (Winter 1979): 217-230.

935 "Discussion with King Faisal in Riyadh," October 13, 1974, DNSA, KT; *FRUS, 1969-1976,* XXXVI, 332. Memorandum of Conversation, March 2, 1974. This policy followed up on American attempts to convince Saudi Arabia to lift the embargo: *FRUS, 1969-1976,* XXXVI, 303. Backchannel Message From the Ambassador to Saudi Arabia (Akins) to Secretary of State Kissinger, February 5, 1974; *FRUS, 1969-1976,* XXXVI, 307. Letter From President Nixon to King Faisal of Saudi Arabia, undated; *FRUS, 1969-1976,* XXXVI, 312. Telegram From the Embassy in Saudi Arabia to the Department of State, February 8, 1974.

936 Memcon, Ford, Simon, and Scowcroft, July 9, 1974, GFL, NSA Memcons.

937 Kissinger, *Years of Upheaval*, 670-671.

938 *FRUS, 1969-1976*, XXXVI, 361. Memorandum of Conversation, July 30, 1974.

Callaghan, Kissinger again expressed that it was "intolerable" that the "800 million people" in the industrialized and developing countries could be "held to ransom."[939]

The petrodollar corollary to the energy crisis became more troublesome as it became apparent that American diplomacy would not affect prices. OPEC members, especially Saudi Arabia, continued to cut production to maintain high prices. The oil bill of the consuming countries, according to the OECD, rose from $50 billion to over $130 billion in 1974.[940] The build-up of OPEC surpluses was only expected to continue at a faster rate in late 1974 and throughout 1975. Pressure on the financial system also increased in the lending direction, as the reserve cushions of oil consuming nations sagged and eventually disappeared. As a result, more governments would be forced to look for greater external financing. International insistence for a larger role for the Fund grew. "There is...a wide measure of agreement that new mechanisms will be needed," one analyst wrote in October 1974.[941]

To offset calls for a second Witteveen facility, Simon and Kissinger returned to the free market analysis that expensive oil was an "unnatural" phenomenon.[942] Both continued to maintain that the market would eventually force prices down. For many, the American opposition to International Monetary Fund recycling ignored the blatant reality that the oil-producing countries now controlled the tap. After a June 1974 trip to visit "friends on Wall Street," including André Meyer of Lazards, British financier Harold Lever noted that few bankers accepted the U.S. government view that prices would drop.

---

[939]Weston to Bridges, "Dr. Kissinger and Oil Prices," September 13, 1974, UKNA, PREM 16/246.
[940]Stein, *Pivotal Decade*, 84-85.
[941] H.M. Treasury, "Brief for Discussions with the Americans: Recycling," October 9, 1974, UKNA, FCO 96/6.
[942] William Simon, "Oil Prices: Why They Should Come Down," U.S. Information Service, U.S. Embassy, London, November 5, 1974, UKNA, FCO 96/96; U.S. Congress, Senate, *The Witteveen Facility and the OPEC Financial Surpluses*, Hearings before the Subcommittee on Foreign Economic Policy of the Senate Committee on Foreign Relations (Washington, D. C.: September and October 1977).

"New York is far less sanguine than Washington," he reported.[943] Lever had stronger words for Simon, whom he criticized for being "breezily optimistic" about oil prices. Simon's belief that OPEC would "break down" because the producers would be unable to maintain their production agreements was disingenuous in the face of the collective application of permanent sovereignty.[944]

Industry observers shared Lever's opinion. The British cabinet engaged in extensive consultations with economic ministers, oil executives, and academic economists. All concluded that the long lead times for the development of energy alternatives made it unlikely that world demand for OPEC oil would decrease any time soon.[945] The British economic attaché in Washington, Peter Ramsbotham, told Kissinger that "there is little likelihood of the market itself reducing the price of oil in the next year or so."[946] The Atlantic Council—including such prominent industry insiders as the Chairman of Shell, John Loudon, and a former State Department assistant secretary now employed by the Bechtel Corporation, Parker T. Hart—also advised that diplomacy could not lower prices. Rather, U.S. policy needed to emphasize "the sound, long-term recycling of Arab wealth."[947] Experts in the U.S. government agreed. The White House's Council of Economic Advisers reported that the lack of substitutes for Persian Gulf oil made any short-run price change unlikely.[948]

The energy crisis entered its second year and the financial world became increasingly anxious about the huge flows of oil money. International Monetary Fund

---

943 Lever to Wilson, "The Petrodollar Question," June 10, 1974, UKNA, CAB 197/15.
944 Chancellor of the Duchy of Lancaster, Note for the Record, "Talk with Secretary Simon," July 26, 1974, UKNA, PREM 16/246.
945 Annex C, "Oil Prices," July 6, 1974, UKNA, PREM 16/290.
946 Memcon, Kissinger and Ramsbotham, May 31, 1974, DNSA, KT.
947 The Atlantic Council, Memorandum, February 26, 1974, NARA, RG 59, Lord Files, 345.
948 Massell to Seevers, April 26, 1974, GFL, Records of the Council on Economic Advisers, Box 73, (hereafter, CEA, 73).

officials worried that the first Witteveen facility was too small to handle the problem. Their prediction came true on October 4, 1974, when the Fund announced that it had reached its lending limits.[949] Wall Street also was less optimistic that it could cope with the petrodollar flood. Chase Manhattan overvalued its bonds to demonstrate its unease at the Fund announcement.[950] The two events raised further questions about the wisdom of leaning so heavily on the private capital market. Harold Lever summed up the sense of disquiet, advising Harold Wilson in December 1974 that the multilateral investment plan of the Fund was far better than "*ad hoc*, not to say anarchic" market-based recycling.[951]

Healey circulated a proposal for a second, open-ended oil facility to the G-5 finance and foreign ministers in advance of their October 1974 meeting. The proposal sought to disabuse Kissinger and Simon of what Healey believed was "a misconceived link between the issue of oil prices and that of recycling." The spillover of the American policy of "brinksmanship" on oil prices into debates about petrodollar recycling, in particular, was "dangerously imprudent."[952] Healey hoped the "Witteveen II" credit line would attract at least $30 billion. He also reminded Kissinger and Simon that the relative small amount would leave the majority of petrodollars in private capital markets.[953]

The United States continued to advocate the market as the primary means of recycling. Despite Kissinger's opening statement at the October meeting that the United States "was prepared to be influenced by their partners' views," according to one British

---

949 Secretary to Executive Board, "Oil Facility – Further Review for 1974," November 29, 1974, Oil Facility Records, IMF; Edwin L. Dale, "20 Finance Chiefs Meet," *New York Times*, October 4, 1974, 53.

950 U.S. Congress, House, Committee on Banking and Currency, Ad Hoc Committee on the Domestic and International Monetary Effect of Energy and Other Natural Resource Pricing, "Petrodollars: Recycling and Aid Prospects," 93rd Congress, 2nd session, December 12, 1974.

951 Record of a Meeting in the Foreign and Commonwealth Office, December 6, 1974, UKNA, CAB 197/15.

952 H.M. Treasury, "Brief for Discussions with the Americans: Recycling," October 9, 1974, UKNA, FCO 96/6.

953 FCO, Meeting Record, "Oil and the World Economy," October 2, 1974, UKNA, FCO 96/6.

observer, there was "a hard core to the American attitude." Away from the pleasantries of formal diplomacy, Kissinger's professions of open-mindedness must have seemed far-fetched. The U.S. delegation did not budge from their contention that Healey's proposal would "put OPEC in the driving seat."[954] The introduction of a new International Monetary Fund facility on the level proposed by the British would effectively legitimize high oil prices by accepting their inevitability. Worse, Witteveen II even equipped the international system to accommodate further price increases. The thrust of American policy echoed Shultz's critique of panic buying six months earlier at the Washington Energy Conference. Kissinger had often repeated the sentiment, once even telling the French foreign minister that "most countries acted as if they were rabbits paralyzed by a snake."[955]

Simon explained the dense economics of the American train of thought to the other delegations. Absent a mechanism in the International Monetary Fund, the interest rates of Western banks would fall, lowering the profitability of OPEC investments. Decreased interest rates would have a related economic and political effect on oil prices. In reaction to the economic impulse, the OPEC nations would reduce the quantity of their investments. Then, in order to bring down their profits, the oil producers would slash the price of oil.[956] Simon's interpretation of diminishing returns on Arab investments, however, did not take into account that the oil producers might lower production instead of prices, as Saudi Arabia was already doing. Nor did it consider the fact that increased prices had been the guiding principle of permanent sovereignty all along, from Prebisch to Mossadegh, from Maghrebi to the Shah. The British Treasury believed that the

---

954 Sir Donald Maitland, "Oil and the World Economy," October 17, 1974, UKNA, FCO 96/6.
955 *FRUS, 1969-1976,* XXXVI, 359. Memorandum of Conversation, July 4, 1974.
956 William Simon, "Oil Prices: Why They Should Come Down," U.S. Information Service, U.S. Embassy, London, November 5, 1974, UKNA, FCO 96/96.

American policy of “deliberate abstention from the recycling field,” thus allowing financial assets to become less satisfactory to the oil producers, was “far more likely to invite production cut-backs than price reductions.”[957]

In fact, the oil-producing countries already had begun to lower production to keep prices up. Simon’s fluency on the benefits of the free market was stronger than his economic reasoning. He had eloquently defended the free market a month earlier in a speech to the Independent Petroleum Association. In the face of expensive oil, he complained, “the idea of free enterprise seems to have lost its sheen.” Some critics thought “the Arabs now have the United States in a perilous unbreakable hammerlock.” Simon believed Arab power was overblown:

> I totally disagree, and I do so on the very solid grounds of economic realism and American tradition. A nation that can tame the wilderness, that has the most dynamic free market-place in the history of man, that can lift the standard of living to heights hitherto unknown, and can then place men on the moon – that nation, if it allows free enterprise full freedom, is not going to be cowed by the sudden threat of blackmail.

From Simon’s perspective, the OPEC price increases “were not only bad politics but bad economics.”[958] The market-driven conclusion was obvious—another Witteveen facility would abjectly capitulate to the producers.

Kissinger and Simon worked to curb Healey’s proposal by replacing it with a less multilateral solution, a “closed-circuit Common Trust” that would be managed from the Paris offices of the Organization of Economic Cooperation and Development.[959] In

---

957 H.M. Treasury, “Brief for Discussions with the Americans: Recycling,” October 9, 1974, UKNA, FCO 96/6.

958 Department of Treasury News, Remarks by the Honorable William E. Simon, Secretary of the Treasury, Before the Independent Petroleum Association, October 28, 1974.

959 Henry Kissinger, “The Energy Crisis: Strategy for Cooperative Action,” Speech before the University of Chicago Board of Trustees, Department of State *Bulletin* (December 2, 1974): 749-756; U.S. Congress, Senate. *Financial Support Fund Act*, Hearings before the Senate Committee on Banking, Housing and Urban Affairs (Washington, June 4, 1976).

December 1974, Simon elaborated the ramifications of what the American policymakers promoted as the "Kissinger Solidarity Fund," emphasizing that it gave final priority to the free market. The $25 million fund was nothing more than a "safety net." It was "not intended to provide free, unlimited or unconditional aid." Rather, it was "standby support," only available after a nation took other "reasonable measures to resolve its difficulties."[960] Simon later repeated to the OECD Secretariat that the proposed funds could be accessed only as a last resort.[961]

The Executive Board of the International Monetary Fund welcomed the Kissinger Solidarity Fund as evidence that "the extent and urgency of the need for official recycling facilities seemed at last to be widely recognized." However, the board also speculated that Kissinger designed the proposal as "an attempt to prevent a Fund oil facility...from being established." If the Kissinger Fund was meant to replace the second Witteveen facility, American policy represented "a serious departure from international solidarity." The board concluded, "The Fund must press ahead with the design of a petroleum facility for 1975."[962]

Simon curtailed that effort. He told Kissinger in August 1974 that the biggest problem with the Witteveen facility was that "Europe is becoming dependent on the Arabs both for oil and for money."[963] Simon used U.S. voting power in the International Monetary Fund to ensure Witteveen II would exist "on a much more limited basis than

---

960 Statement by the Honorable William E. Simon, Secretary of the Treasury, Before the Subcommittee on International Finance, House Committee on Banking and Currency, December 3, 1974.
961 Note by the Secretariat, "The Medium-Term Balance of Payments Implications of the Oil Situation," November 25, 1974, DES/NI(74)5, Microfiche Collection, OECD.
962EBM/74/145, "Minutes of the Executive Board Meeting," November 18, 1974, Executive Board Minutes, IMF.
963Memcon, Kissinger, Simon, Burns, Ingersoll, Enders, and Scowcroft, August 3, 1974, GFL, NSA Memcons.

had been proposed by the Europeans and others."[964] He forced the option in the January 1975 Executive Board meeting by telling the other delegates that any amount over $5 billion, a far cry from Healey's initial $30 billion estimate, would have to be cleared with Ford.[965]

American failure to support the International Monetary Fund was troubling. The petrodollar build-up now formed a substantial part of global monetary reserves, an imbalance that threatened to undermine the nascent credibility of the post-Bretton Woods system of floating exchange rates. However, given American power in the Fund, the opposition had little choice but to concede defeat. Witteveen and Healey accepted the marginalization of the second oil credit line. The rest of the industrial nations endorsed the Kissinger Solidarity Fund in February 1975.[966]

On its face, the American position on oil debt was a pragmatic one: Bad debts on the free market were an instrument that would put downward pressure on oil prices. Any system in which an international institution served as the guarantor for loans would have the opposite effect. Kissinger explained the reasoning at another economic summit of the industrialized countries in 1975: "Our strategy has been to transform the market conditions for oil...to reach a point where OPEC loses its unilateral power to control oil prices." In a sense, the American emphasis on the private financial market squared with Kissinger's earlier emphasis on multilateral solidarity, even though it limited the multilateral recycling of petrodollars through the International Monetary Fund. Very

964 Simon to Ford, "Results of the International Meetings this Week on Monetary and Development Issues," January 18, 1975, GFL, L. William Seidman Papers, Box 206, Name Files, Wm. Simon (hereafter, Seidman Papers, 206).
965 BD to PM (70), "Petrodollars, Indexation, etc.," January 24, 1975, CAB 197/15, UKNA.
966 Note Submitted by the Managing Director, "World Economic Outlook and the Functioning of the International Monetary Fund," September 22, 1976, World Reports, Archives of the International Monetary Fund (hereafter, WR, IMF); Shultz Report, "Private Group of Five Meeting," February 2-3, 1975, GFL, NSA Memcons.

simply, both policies assumed that if consumer countries demonstrated that they were "not willing to deal at present prices, the prices would weaken."[967]

Most observers disagreed with American policy, both in terms of its economic reasoning and its political consequences. The free-market school of thought and its stand against expensive oil nonetheless shaped the nature of petrodollar recycling. But it did more than that. It also set a market precedent for other crises.

THE FREE MARKET AGENDA

Attempts to establish consistent connections among people, ideas, and events are notoriously perilous. With a productive, controversial, and historically conscious individual such as Henry Kissinger, the peril is amplified. However, the conclusions that can be drawn from analyzing the energy crisis far outweigh the fear of losing oneself in the byzantine debate about Kissinger and his legacy.[968]

The analysis of the American response to the energy crisis becomes even more important because many challenges of the globalizing world played out within discussions about the new problem of expensive oil. The tension between politics and economics was not the least of these new global challenges. Kissinger understood the problem of the energy crisis through two overlapping lenses, multilateralism and the free market. To be fair to Kissinger the avowed realist, he was not a die-hard free-market ideologue, as his strategy towards the United Nations would soon show.[969] On the other

---

[967] Memorandum of conversation, November 16, 1975, Seidman Papers, 312, Foreign Trips File, GFL.
[968] Jussi M. Hanhimäki, "'Dr. Kissinger' or 'Mr. Henry'? Kissingerology, Thirty Years and Counting," *Diplomatic History* 27: 5 (Nov. 2003): 637-676; Thomas A. Schwartz, "Henry Kissinger: Realism, Domestic Politics, and the Struggle Against Exceptionalism in American Foreign Policy *Diplomacy & Statecraft* 22: 1 (May 2011): 121-141.
[969] Mark Gismondi, "Tragedy, Realism, and Postmodernity: Kulturpessimismus in the Theories of Max Weber, E.H. Carr, Hans J. Morgenthau, and Henry Kissinger," *Diplomacy & Statecraft* 15: 3 (2004): 435-464; John Gerard Ruggie, "The False Premise of Realism," *International Security* 20: 1 (Summer 1995): 62-70.

hand, Kissinger took a remarkably narrow ideological position toward the price hikes in 1974, especially regarding the issue of OPEC "unilateralism." And, although he consistently stressed multilateralism in his grand formulations of a new world political structure, the doctrinaire emphasis on the free market far overshadowed multilateralism in practice.[970]

In initially taking such a strong stance against expensive oil and cartel power, Kissinger had the primary objective of rolling back oil prices. However, it was obvious to most observers by early 1974 that the likelihood of a price reduction was infinitesimally small. Western Europe and Japan were too vulnerable to join the United States in a counter-cartel.

Kissinger's uncompromising geopolitical view that nothing should be done to accommodate high oil prices had great negative ramifications, including the obstruction of Witteveen II. The petrodollar decision affected all oil consuming nations, developed and underdeveloped alike. American diplomacy directed the OPEC cash pool in a way that changed the nature of international finance. As a result of the eradication of capital controls and the limited role of the International Monetary Fund, countries began to get money in considerable amounts from private international banks for the first time since the 1920s. Banks replaced international institutions as the locus of the majority of the world's growing finance capital.

In limiting the second Witteveen facility, the United States effectively excluded a number of the underdeveloped countries from direct petrodollar aid and shepherded them toward the private market. The non-oil developing countries were among the principle

---

970 Interestingly, Kissinger has argued that "Excessive 'realism' produces stagnation; excessive 'idealism' leads to crusades and eventual disillusionment." See: Henry A. Kissinger, *Does America Need a Foreign Policy?: Towards a Diplomacy for the 21st Century* (New York: Simon & Schuster, 2001), 286.

users of petrodollars between 1974 and 1980, borrowing over $200 billion from banks and bondholders. The debt cycle was unsustainable. It is likely that the larger role envisioned by Healey for the Fund would have mitigated many developing countries' financial problems in the early 1980s.[971]

Private control over capital, in marked contrast with the privileged position of international institutions envisioned in Bretton Woods, empowered free market thought in American diplomacy. The energy crisis also forced Kissinger to recognize the fiction of the autonomy of geopolitics from economic concerns. In a clear break from his past aversion to the complexities of international economics, Kissinger realized that conditions made any such separation impossible. Throughout, as was true with the rise of permanent sovereignty in the previous decade, ideas about economics affected politics.

Without the possibility for immediate success in lowering prices, Kissinger chose a diplomatic path that emphasized a high-octane stand against price increases. He impelled American diplomacy toward the front of an international policy current adapting the neoclassical ideas of academic economists into a new argument linking economic freedom to global stability. The current would continue to channel the agenda of the international economy away from multilateralism and toward the free market in 1975. In that year, it would strike at the homeland of permanent sovereignty itself, the United Nations.[972]

---

[971] Frieden, *Global Capitalism*, 370.

[972] For an early introduction to German neoliberal thought, see Kissinger's mentor at Harvard, Carl Friedrich, "The Political Thought of Neoliberalism," *American Political Science Review* 49 (1955), 509-525. On the growth of neoliberal thought in the 1970s, see Tony Smith, *A Pact with the Devil* (New York: Routledge, 2007); Daniel T. Rodgers, *Age of Fracture* (Cambridge, Mass.: Belknap Press, 2011), 41-76; Gretta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, Mass.: Harvard University Press, 2011).

Chapter 6: *The Limits of Permanent Sovereignty, 1974-1976*

Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.

John Maynard Keynes, 1936[973]

I see no reason to talk theory when we can in a practical way just screw up the negotiations.

Gerald Ford, 1975[974]

The president of Uganda and chairman of the Organization of African Unity, Al Hadji Idi Amin Dada, arrived on the floor of the General Assembly on October 1, 1975. The former heavyweight boxing champion had been accompanied on his trip to New York by one of his wives, a nineteen-year-old ex-member of the Uganda Armed Forces' infamous "Suicide Squad." He wore a gold-embroidered green uniform, decorated with the insignia of the British Victoria Cross and other medals.[975]

Amin acknowledged the assembly, paused, and began to speak. "As a pure and proper son of Africa, who does not believe in any colonial and imperialist language, I shall address you in an African language," he began. His tongue was native, but his credentials were universal. Amin spoke "for the people of Uganda...the Organization of African Unity...and all members of the third world." He then employed the anti-neocolonial rhetoric so common in the United Nations. "Imperialism is being resolutely driven back, and the peoples of the industrialized countries are showing fresh interest in

---

[973] Keynes, *General Theory of Employment Interest and Money* (New York: Harcourt, Brace and Co., 1936), 386.

[974]Memorandum of Conversation, May 24, 1975, GFL, NSA Memcons, 12.

[975]Paul Hoffman, "Amin, at U.N., Appeals to Americans to Rid Their Society of Zionists," *New York Times*, October 2, 1975.

the genuine development of the third world and in its fight for economic independence and construction," he proclaimed.

Like many apostles of permanent sovereignty in the aftermath of the oil price crisis, Amin chose to "dwell particularly on the economic problems [that] created bottlenecks in world development." The advocates of permanent sovereignty had mapped out their position, the New International Economic Order, at the Sixth Special Session of the General Assembly in March 1974. For Amin, the New Order was a movement for the "restoration of full economic rights to the hitherto exploited, oppressed, and enslaved peoples of the Third World." Because it coincided with OPEC price control and the accession of the former Portuguese colonies in southern Africa to the United Nations, the declaration marked a turning point in the Third World struggle for independence. The end of formal colonialism was but a single step in a longer journey. "The world-wide war for self-determination and political independence is almost over now, but the struggle for self-reliance continues," Amin said. "The present stage in this struggle is for economic independence." Without economic independence, "political freedom is meaningless."[976]

Amin's stance was less sturdy than his speech implied. Linguistically, he gave only brief introductory remarks in the Luganda language of his homeland. The Ugandan ambassador delivered the rest of the speech in English. Neither did Amin speak for a unified Third World. Uganda was hardly a typical Third World country, if such a thing existed. He was no typical leader, even if one could be found.[977] In a French

---

976 UN Doc A/PV.2370, Provisional Verbatim Record, October 1, 1975, The Papers of Daniel P. Moynihan, I: 334, LOC.

977 On the Third World as a monolith, see: Mark T. Berger, "After the Third World? History, Destiny and the Fate of Third Worldism," *Third World Quarterly*, 25: 1 (2004), 9-39; Escobar, *Territories of Difference*, 27-68; Mark Atwood Lawrence, "Too Late or Too Soon? Debating the Withdrawal from Vietnam in the Age of Iraq," *Diplomatic History* 34 (2010): 589–600; William Easterly, *The Elusive Quest*

documentary released the previous year, an idiosyncratic Amin had played accordion in a jazz band at a formal dinner and then discussed plans to attack Israel.[978] On a deeper level, Third World unity concerning the 1974 New Order declaration was less stalwart than he suggested. Nor was the policy of the industrialized countries moving along the lines of renewed interest that seemed self-evident to Amin.

The near-universal use of the language of permanent sovereignty and economic development in the Third World was as striking as it was misleading. The new American ambassador to the UN, Daniel Patrick Moynihan, paid little attention to Amin's sermon on permanent sovereignty, economic independence, and the goals of nationhood. Rather, the former Senator from New York condemned the Ugandan president as a tyrant. Moynihan discussed the "despotism" of Amin in detail and noted the "many thousands of killings and atrocities" committed in Uganda since he had seized power in 1971.[979] A day later, Moynihan refused to refute a controversial *New York Times* description of Amin as a "racist murderer." The Organization of African Unity (OAU) expressed indignation about Moynihan's "discourteous attack." The statement was not only a personal affront to Amin, but also an "unfriendly act" toward the OAU itself. Other ambassadors from the developing world also supported Amin's speech and told reporters that he had "forcefully expressed a strong current of feeling of the Third World."[980]

---

for Growth: Economists' Adventures and Misadventures in the Tropics (Cambridge, Mass.: MIT Press, 2002).

978 *General Idi Amin: Self Portrait*, dir. Barbet Schroeder (1974). On Schroeder, see: Andrew J. Madigan, "What Fame Is: Bukowski's Exploration of Self," *Journal of American Studies* 30 (1996): 447-461.

979 A 1974 International Commission of Jurists report concluded that anywhere between 25,000 and 250,000 Ugandans had been killed in this period.

980 "Moynihan Assails Uganda President," *New York Times*, October 4, 1975; Statement by the Representative of Dahomey, in Plenary on a Point of Order, October 6, 1975, The Papers of Daniel P. Moynihan, I: 334, LOC.

RAISING HELL IN THE UNITED NATIONS

Amin was far from the only Third World leader Moynihan criticized in his short tenure as UN ambassador.[981] The above interchange reflects the pervasive nature of the Third World critique of the international political economy. It also epitomizes a new American strategy to blunt that critique, formed in early 1975. The strategy followed the tracks set down in the 1974 debate over the recycling of petrodollars. In public diplomacy, the Ford administration mounted a charm offensive and emphasized its conciliatory nature toward Third World economic demands. Privately, the administration used its power to buoy the private capital market. Thus, even as the United States pushed the international political economy toward a free market agenda, policymakers continued to emphasize multilateralism. If the private recycling of petrodollars could be couched in multilateral discourse, so too could economic relations with the developing world.

The emphasis on the market in U.S. foreign policy was part of a broader intellectual shift in American economic thought. A review of the intellectual and material contexts for what one development economist called "the conservative counter-revolution" is necessary to understand American diplomacy toward the developing world.[982] The dramatic increase in oil prices occurred concurrently with the deepest recession since the 1930s. The three-decade wave of abundance following World War II had ended. The death of the Bretton Woods system had forced policymakers to search for new strategies to assure U.S. power. That the international economy had plunged into recession emboldened critics of postwar Keynesianism. The greatest fears of Keynes and his followers, price inflation and unemployment, became real in the 1970s. Policy

---

981 Daniel P. Moynihan, "Presenting the American Case," *The Educational Forum* 40: 4 (1976): 469-481; Seyom Brown, "The New Legitimacy," *International Journal* 31: 1 (Winter 1975/1976): 14-25.

982 John Toye, *Dilemmas of Development: Reflections on the Counter-Revolution in Development Theory and Policy* (Oxford: Blackwell, 1987); David C. Engerman, "American Knowledge and Global Power," *Diplomatic History* 31: 4 (Sept. 2007): 599–622.

advisers and economists had no response. At the same time, modernization theory had come under an even more thorough attack, tainted by accusations of neo-colonialism and American imperialism.[983]

A new imaginative space in the field of economic development opened. Just as the sheer size of petrodollar reserves challenged the capital market, proponents of permanent sovereignty continued to object to the structure of the international economy. Building on the insights of Prebisch and other in the 1960s, North American Marxist thinkers Paul Sweezy and Paul Baran had begun to develop what soon came to be known as "dependency theory." The new field repeated the terms of trade argument, but broadened its analysis to the longer historical patterns of capitalist exchanges between the industrial "center" and the Third World "peripheries." Sweezy and Baran offered a Leninist interpretation of the critique of "natural comparative advantage." They claimed that the industrial nation's exploitative tendencies perpetually limited the possibility for economic growth in "the backward world," causing greater and greater inequality.[984] Dependency theory became more influential in the early 1970s, when Andre Gunder Frank, Immanuel Wallerstein, and others further delineated and popularized the terms of trade theory with their discussions of "underdevelopment" in the "peripheral regions" of the "capitalist world-system."[985]

---

983 Howard Brick, *Transcending Capitalism: Visions of a New Society in Modern American Thought* (Ithaca: Cornell University Press, 2006), 219-236; Michael Latham, *The Right Kind of Revolution: Modernization, Development, and U.S. Foreign Policy from the Cold War to the Present* (Ithaca: Cornell University Press, 2011), 157-185; Peter Gowan, *The Global Gamble: Washington's Faustian Bid for World Dominance* (London, 1999), 19-59.

984Paul Baran and Paul Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order* (New York: Monthly Review Press, 1966); Baran, *The Longer View: Essays toward a Critique of Political Economy* (New York: Monthly Review Press, 1970); Baran, *The Political Economy of Neo-Colonialism* (New York: Monthly Review Press, 1975); Sweezy, *Modern Capitalism and Other Essays* (New York: Monthly Review Press, 1972).

985Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America* (New York: Monthly Review Press, 1967); Gunder Frank, *On Capitalist Underdevelopment* (New York: Oxford University Press, 1975); Immanuel Wallerstein, *The Capitalist World-Economy* (Cambridge: Cambridge University Press, 1979);

The effective control of OPEC over the production and price of oil represented the culmination of a long process of decolonization and the end of Western political domination. Since the early 1950s, a growing group of recently decolonized and other Third World nations had attempted to use their nominal political sovereignty to gain greater wealth. They had almost always failed. The permanent sovereignty of the oil producers finally rectified the situation. According to the powerful egalitarian narrative, OPEC had reshuffled the imperialistic relationship between peripheral raw material suppliers and metropolitan consumers.[986]

The idea of permanent sovereignty had only gained influence since the mid-1960s, owing in great measure to the work of the UN Conference on Trade and Development. In 1965, the undersecretary for economic and social affairs at the United Nations, Philippe de Seynes, wrote that "an economic doctrine for the developing countries is gradually evolving."[987] In the decade before the oil price crisis, Prebisch's initial analysis found an increasingly sophisticated voice in Third World academic and policymaking circles. Dependency theorists built upon Prebisch's terms of trade discussion to forge a more thorough critique of the international economy. Politicans and diplomats joined theorists in arguing that the skewed imperial structure of the economy not only held back the growth of peripheral income and production. It also forced those nations into perpetual economic reliance on the metropolitan center.

Gunder Frank, Wallerstain, Giovanni Arrighi, and Samir Amin, *Dynamics of Global Crisis* (London: Macmillan, 1982).

986 Christopher Dietrich, "'Arab Oil Belongs to the Arabs': Natural Resource Sovereignty, Cold War Boundaries, and the Nationalization of the Iraq Petroleum Company, 1967-1972,"*Diplomacy and Statecraft* 22: 3 (September 2011): 450-479. For an early analysis, see Norman Girvan, "Economic Nationalism," in *The Oil Crisis*, ed. Raymond Vernon (New York: Norton, 1976), 145-158.

987 Cited in John Toye and Richard Toye, *The UN and Global Political Economy: Trade, Finance, and Development* (Bloomington: Indiana University Press, 2004), 206.

The "dependencia" model stood in direct opposition to the free market thought that drove U.S. foreign policy, and was influential. Even critics of dependency theory accepted many of its premises. "[C]onventional analysis accepts that behind the veil of nominal political sovereignty, LDCs still lack much of the substance of real economic independence," the political economist Benjamin Cohen wrote in 1971. "[D]espite decolonization, relations with the advanced capitalist countries still spell dominance for the metropolitan center, dependence for the nations of the periphery."[988] Like Prebisch, dependency theorists rejected the classical economic theories of trade. Like Prebisch (and Kissinger for that matter), these authors also worked with a unified conception of politics and economics. The political-economy of the relations between rich and poor countries formed a single analytical framework.

For these theorists, national independence and statehood did little to change the fact that economic growth was conditioned by dependence on the international political economy. Elaborating on Prebisch's terms-of-trade thesis, dependency theorists argued that dependency existed whenever the development and expansion of one economy was subjected to the development and expansion of another. If the thesis in itself was unremarkable, it was meaningful for Third World nations because capital and manpower from the industrialized West played such a prominent role in their national economies. A general feeling developed that the international political economy itself limited their sovereignty by constraining the decision-making capacities of national political authorities.[989] One prominent economist, Stephen Hymer, even went so far as to call this

---

988 Benjamin J. Cohen, *Question of Imperialism: The Political Economy of Dominance and Dependence* (New York: Basic Books, 1971), 193.

989 Theotonio Dos Santos, "The Structure of Dependence," in K. T. Fann and Donald C. Hodges, eds., *Readings in U.S. Imperialism* (Boston: Porter Sargent, 1971), 225-236; Osvaldo Sunkel, "Big Business and 'Dependencia': A Latin American View," *Foreign Affairs* 50: 3 (April 1972).

"The New Imperial System."[990] Although others did not go to such lengths, the notion of dependence was widely shared and held a powerful sway in many parts of the world.

Dependency theorists built on Prebisch's thesis of unequal trade by also holding that imperialism had bequeathed a skewed allocation of value for natural resources. The low prices for natural resources forced less-developed countries to rely on rich capitalist ones not only for finished goods and services, but also for capital. Furthermore, even though most LDCs had only a narrow range of exports to pay for their imports, the metropolitan governments of the international political economy used increasingly advanced policies to further entrench the bias in the periphery toward raw material production. The policies included "cascading" tariffs, import and export quotas, commodity purchase agreements, foreign aid, and investment incentives.[991]

Any system of interdependence involves different degrees of dependence.[992] For a growing group of academics and politicians, permanent sovereignty represented an economic basis of a truly post-colonial world, a way to change the biased global structure. OPEC had presided over a triumph for the concept. As oil producers led the way in pressing for greater control of resources in the late 1960s and early 1970s, the cartel gave substance to the UN resolutions on permanent sovereignty. According to the advocates of permanent sovereignty, the oil-producers had converted the political, discursive, and legal shift in the United Nations into a broader realignment of global economic power.

---

[990] Stephen H. Hymer, "The Multinational Corporation and the Law of Uneven Development," in Jagdish N. Bhagwati, ed., *Economics and World Order* (New York: MacMillan, 1972), 114-127. Hymer was a student of Charles Kindleberger, whose work influenced Prebisch. See Christos N. Pitelis, "Stephen Hymer: Life and the Political Economy of Multinational Corporate Capital," *Contributions to Political Economy* 21: 1 (2002): 9–26.

[991] For example, Teresa Hayter, *Aid as Imperialism* (London: Penguin, 1971).

[992] A universal truth best portrayed in Orwell's "equals." See also: Daniel J. Sargent, "The United States and Globalization," 55-62.

The academic production of dependency theory coincided with the peaking of the political influence of permanent sovereignty in the international economy. The magnitude of the oil price increases and the demands of the New International Economic Order transcended past Third World defiance. The success of OPEC and the rise of permanent sovereignty as a guiding principle of economic development in the Third World led to greater demands for change in the international economy. However, the advent of expensive oil also forced American policymakers to reassess development policy. Western economists who did not subscribe to modernization or dependency theory also contemplated new critical theories of development economics. The most important of these, free-market development, set strikingly different terms for the practice of permanent sovereignty. This brand of thought emphasized, above all, the economic and political virtues of free markets.[993]

The energy crisis was a formative context for the acceptance and application of free market thought to diplomacy by American policymakers. As they drew lessons from economic theory, including the sophisticated monetary analysis of Milton Friedman and others, economic ideas became downsized and politicized.[994] The transition led to the wide-scale approval of neoliberal diplomacy, by which powerful sectors of the U.S. government began to apply the basic lessons of free market thought to foreign policy.[995]

---

993 Michael A. Bernstein, *A Perilous Progress: Economists and Public Purpose in Twentieth-Century America* (Princeton: Princeton University Press, 1991), 155-182; Mark H. Wiles, "'Rational Expectations' as a Counter-Revolution," in *The Crisis in Economic Theory*, Daniel Bell and Irving Kristol, eds. (New York, 1981); Robert Cockett, *Thinking the Unthinkable: Think Tanks and the Economic Counterrevolution, 1931–1983* (London: Harper Collins, 1994); Marion Fourcade, *Economists and Societies: Discipline and Profession in the United States* (Princeton: Princeton University Press, 2009).
994 Roger E. Backhouse, "The Rise of Free Market Economics: Economists and the Role of the State since 1970," *History of Political Economy* 37 (2005): 355-392; J. L. Kelley, *Bringing the Market Back In: The Political Revival of Market Liberalism* (NewYork: New York University Press, 1997).
995 Here I have chosen to use the terms free market thought and neoliberal diplomacy rather than neoliberalism. Neoliberalism, paraphrasing Braudel, is an ambiguous and usually indiscriminately applied term. The substitution avoids the confusion that exists around the idea, its different use in the United States than in Europe, its relationship to liberalism, conservatism, neoconservatism, and the like. This also avoids

The belief became prevalent and guided foreign policy in the highest echelons of the Departments of State and Treasury. In taking a free market stance, the Ford administration placed its diplomacy within a vanguard movement in economic thought in the United States.[996] Kissinger's decision to make the free market the central economic component of foreign policy in 1974 was the crystallization of these concepts. American strategy became steeped in an "economistic view" of foreign policy, a conception that reduced complex relations to mechanistic terms of market behavior or non-market behavior.[997]

Scholars such as Friedman and Michael Novak, as well as development economists like P. T. Bauer and policy commentators like Irving Kristol, championed the revival of market ideology in diplomacy. Free market thought gave rise to a muscular anti-statist and pro-market diplomacy that would transform U.S. relations with the developing world.[998] Free market thought worked in direct response to the challenge of

---

the common tendency to define neoliberalism by its policies without explaining the connective tissue between those policies. Free market thought and neoliberal diplomacy, unlike neoliberalism, imply the existence of an idea and its influence in foreign policy, while placing more emphasis on what is central about neoliberalism, its reliance on "market-like rule." For further discussion, see Krippner, *Capitalizing on Crisis*, 167n6.

996 For an argument about the relationship between concepts of power and economics, see Rodgers, *Age of Fracture*, 77-110.

997 This definition of the prejudicial tendency to politicize economic thought through the creation of binary oppositions builds on the insights of Karl Polanyi, Fred Block, and Margaret Somers. Karl Polanyi defined "the economistic fallacy" as the idea that self-centered motivations that are dominant in a given social context are common to all societies, present, past, or future. See: Fred Block and Margaret R. Somers, "Beyond the Economistic Fallacy: The Holistic Social Science of Karl Polanyi," in *Vision and Method in Historical Sociology*, ed. Theda Skocpol (Cambridge: Cambridge University Press, 1984), 47-84; Fred Block, "Political Choice and the Multiple 'Logics' of Capital," *Theory and Society* 15: 1/2 (Jan. 1986): 175-192. For the application of a similar argument to the field of international history, see: Ian Tyrell, "American Exceptionalism in an Age of International History," *The American Historical Review* 96: 4 (Oct. 1991): 1031-1055.

998 This position became wrapped up in the market critique of the American welfare state and multilateral development aid. See: Peter Thomas Bauer, *Dissent on Development* (Cambridge, Mass.: Harvard University Press, 1972); Peter Thomas Bauer, *Equality, the Third World, and Economic Delusion* (Cambridge, Mass.: Harvard University Press, 1981); Irving Kristol, *Two Cheers for Capitalism* (New York: Mentor, 1978); Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974).

permanent sovereignty, which emphasized a different type of economistic view: one of state power versus foreign interests. In their dualistic visions, the two intellectual extremes touched.[999]

Neoliberal diplomacy informed American foreign policy toward the United Nations. The aggressive stance Moynihan took on human rights issues was more than an attempt to point out that the United States did not hold a monopoly on historical injustice or contemporary misconduct. It also formed part of a larger American strategy to undermine the impregnable state power at the root of permanent sovereignty. "It is time for the United States to go into the United Nations and every other international forum and start raising hell," Moynihan wrote in the conservative magazine *Commentary* before his June 1975 appointment. "Racist murderer" had been simply the most recent upbraiding of "new nations" he believed "were subordinating freedom and denying the rights of individuals." Moynihan held that American officials should not "appease" the Third World, but display toughness in the face of anti-American hostility. "Such a reversal of roles would be painful, but it could be liberating also," Moynihan felt.[1000]

Moynihan received widespread support for his diplomacy in the American media. William F. Buckley, Jr., described him in *The New York Post* as "the nearest thing to a jolt of pleasure we have taken since the formation of that Tower of Babel."[1001] Noting that Amin received much of his financial support from Muammar Gaddafi, William

---

[999] Critiques of market-based diplomacy, including those of economist John Kenneth Galbraith and philosophers Jürgen Habermas and John Rawls, never drew as much of a policy audience in the 1970s. See Habermas, *Legitimation Crisis* (Boston: Beacon Press, 1976); Rawls, *A Theory of Justice* (Cambridge, Mass.: Harvard University Press, 1971); Rawls, "The Independence of Moral Theory," *Proceedings and Addresses of the American Philosophical Association* 48 (November 1975): 5-22; Rawls, "A Kantian Conception of Equality," *Cambridge Review* 96 (February 1975): 94-99; John Markoff and Verónica Montecinos, "The Ubiquitous Rise of Economics." *Journal of Public Policy* 13 (1993): 37-68; John K. Galbraith, "Power and the Useful Economist," *American Economic Review* 63 (1973).
[1000]Moynihan, "The United States in Opposition," *Commentary* (March 1974).
[1001] William F. Buckley, Jr., "Moynihan's Moment," *New York Post*, September 20, 1975.

Safire also celebrated Moynihan's "new rhetoric" in his *New York Times* column. By treating "other representatives from less developed nations as rational, intelligent human beings," Moynihan represented a departure in American diplomacy. Before, the United States did nothing more than "smile indulgently as an assortment of imperialists, aggressors, racists, and murderers condemn the United States as the world's worst imperialist, aggressive, racist, and murderous state."[1002] The cartoonist Pat Oliphant approvingly depicted Moynihan as a buffed-up boxer dropping a horse-shoe into his glove. "What do you call a Six Foot Five angry Irishman?" one Third World leader asks another upon observing this scene. "Sir," the other responds.[1003]

Media support for Moynihan was part of a more general critique of the United Nations shared in American academia and in the U.S. government. The Harvard political scientist and unofficial dean of U.S.-Third World relations, Rupert Emerson, wrote expressively about the "double-standard of human rights." Noting the history of rights violations in "new" countries, he held that "[t]he standards for human rights and fundamental freedoms which have been set for the unfree countries should surely find no less observance in those which have already won freedom."[1004] The recently retired editor of *The Saturday Review*, Norman Cousins, questioned "whether the UN any longer serves a useful purpose." Hans Morgenthau believed it did not. "The UN does not reflect the

---

1002 William Safire, "The New Order of Rhetoric," *New York Times*, October 9, 1975.

1003 Pat Oliphant, news clipping without date (1975), The Papers of Daniel P. Moynihan, I: 335, LOC.

1004 Rupert Emerson, "The Fate of Human Rights in the Third World," *World Politics* 27: 2 (January 1975): 201-226; Rupert Emerson, *From Empire to Nation: The Rise to Self-Assertion of Asian and African Peoples* (Cambridge, Mass.: Harvard University Press, 1974 [1960]); Rupert Emerson, *Self-Determination Revisited in the Era of Decolonization* (Center for International Affairs, Harvard University, 1964); Rupert Emerson, *Malaysia: A Study in Direct and Inderect Rule* (Kuala Lampur: University of Malaya Press, 1966); Rupert Emerson, *The Political Awakening of Africa* (New York: Greenwood Press, 1981).

world," the professor at the New School and founding father of realism told Cousins. "It is a caricature; it distorts actual power relations."[1005]

American officials held a similar position. Unlike scholars, journalists, and cartoonists, though, policymakers cited Third World militancy on economic issues as the paradigmatic example of the United Nations' chronic impairment. The State Department objected to the "steamroller tactics" of the developing countries in multilateral discussions, characterizing their advocacy of permanent sovereignty as immature and taken "without adequate consideration."[1006] Later, the Department lamented that the "legitimate function as a safety valve for emotion and frustration" of the General Assembly was too often "grossly overused to display fervor and solidarity."[1007]

American policymakers, journalists, and scholars believed the Ford administration needed a strategy to stem the political abuse heaped upon the United States in the deliberative bodies of the United Nations and in the Third World at large. Scholars have noted many reasons for the rise of human rights as an international concern in the 1970s.[1008] Moynihan's human rights stance, though, was a small part of a different policy. His selection by Kissinger as UN ambassador in 1975 represented a new posture of vocal American opposition to Third World demands, primarily those with economic content.

1005 Meeting in the Office of Morris Abram, December 6, 1974, The Papers of Daniel P. Moynihan, I: 334, LOC. On Morgenthau, see William E. Scheuerman, *Hans Morgenthau: Realism and Beyond* (New York: Polity Press, 2009); Michael C. Williams, ed., *Reconsidering Realism: The Legacy of Hans J. Morgenthau* (New York: Oxford University Press, 2007); Christoph Frei, *Hans J. Morgenthau: An Intellectual Biography* (Baton Rouge, La: Louisiana State University Press, 2001).

1006 Telegram, State 104050, "UNGA Sixth Special Session—Steamroller Tactics," May 17, 1974, NARA, RG 59, CFP 1973-1976, ET.

1007 DOS to All Posts, Telegram 313877, "Multilateral Affairs: Assessment of the 31st UNGA," NARA, RG 59, CFP 1973-1976, ET.

1008 For an introduction see: Snyder, *Human Rights Activism and the End of the Cold War*, 1-37; Stefan Ludwig-Hoffman, ed., *Human Rights in the Twentieth Century* (New York: Cambridge University Press, 2011); Moyn, *The Last Utopia*, 120-175; Barbara Keys, "Congress, Kissinger, and the Origins of Human Rights Diplomacy" *Diplomatic History* 34: 5 (Nov. 2010): 823-851.

The schism presented by the energy crisis remained a bone of contention in debates about international politics throughout the 1970s. The American neoliberal strategy sought to bridge the gap between Third World demands for economic change and its own free market vision for the international economy. Official human rights rhetoric often served as a smokescreen, a diversion designed to take international pressure off of American foreign economic policy.[1009] American officials downplayed disagreements over the international economy and took a pragmatic stance of conciliation toward the New Order. In doing so, the United States sought to change the public agenda of the United Nations.

In the case of Idi Amin, Moynihan's silence on economic issues was deafening and his emphasis on human rights part of a broader political-economic strategy. The conciliatory attitude the United States would begin to take toward permanent sovereignty was also pragmatic, a policy designed with the contrary purpose of retrenching free market thought and practice.

OPEC AND THE NEW INTERNATIONAL ECONOMIC ORDER

American policy toward the United Nations was not a cynical ploy, but part of a multi-layered strategy. It was again Henry Kissinger and the State Department that decisively employed neoliberal diplomacy. Ironically, the success of neoliberal diplomacy had much to do with the agenda set by permanent sovereignty. To begin with, the Third World economic discourse had become inextricably tied up with the question of the "new

---

[1009] This point is further demonstrated by Kissinger's disinterest in the State Department's new Human Rights Bureau. See Moyn, *The Last Utopia*, 151. For a long-term argument, see: James Peck, *Ideal Illusions: How the United States Coopted Human Rights* (New York: Metropolitan Books, 2011).

era" of expensive oil, a phrase invoked by Kissinger and many others during the 1973-1974 price increases.[1010]

The effect of higher oil prices figured prominently in development debates at the national and international levels. The example of Cameroon is telling. The discovery of oil in the Rio del Rey basin by the French company Elf would soon provide a financial windfall. However, the OPEC price increases had increased the costs of the nation's traditional earning sector, agriculture, to an unsustainable level.[1011] The question of expensive oil also insinuated its way into the nation's pan-African politics. The prime minister of Cameroon, Nzo Ekangiki, resigned as Secretary-General of the OAU in December 1973 after controversy arose over his choice of Walter "Tiny" Rowland as the organization's energy consultant. Rowland directed the London Rhodesia Company and was intimately linked to South African and Portuguese designs to prop up the illegal white minority regime in Rhodesia.[1012]

Internationally, a greater problem dwarfed the African leaders' concern over the questionable selection of Rowland. In the previous three months, OPEC had quadrupled the posted price of petroleum. The price increase posed a grave threat to the development plans of African and other Third World countries. The immediate effect on African

---

[1010] For example, see Director of Intelligence and Research, Intelligence Brief, "Constraints on Oil Price Increases," September 26, 1973, NARA, RG 59, Central Files 1970-1973, PET 14; "Department of State, Oil Price Rises," October 17, 1973, NARA, RG 59, Central Files 1970-1973, PET 14; Department of State, No. 41, Remarks of Kissinger before the Harvard/Princeton/Yale Club," February 6, 1974, NARA, RG 59, Lord Files, 345; Department of State, No. 46, "Opening Remarks of the Honorable Henry A. Kissinger," February 11, 1974, NARA, RG 59, Lord Files, 345; Henry Kissinger, "Memorandum to all Assistant Secretaries and Office Heads, Attachment: Foreign Policy Goals," May 1974, NARA, RG 59, Lord Files, 345; "Talking Points for President Nixon, Congressional and Cabinet Briefings on Middle East, NATO, and Moscow Summits," June 1974, NARA, RG 59, Lord Files, 345.

[1011] David Blanford, et. al., *Oil Boom and Bust: The Harsh Realities of Adjustment in Cameroon* (Ithaca: Cornell University Press, 1995); George Ndi, "The Contractual and Legal Framework for Petroleum Exploration and Production in Cameroon," *Journal for Energy and Natural Resource Law* (1992): 267-278.

[1012] "Towards Pan-Africanism: An Overview," *Black World/Negro Digest* (1974): 36-38; Christopher R. W. Dietrich, "A Climate of Collaboration" The Rhodesian Oil Embargo and Portuguese Diplomacy in Southern Africa, 1965–1967," *Itinerario* 35 (2011): 97-120.

national economies was drastic. In Southern Africa, reduced shipments from Pretoria caused fuel crises in Lesotho, Botswana, and Zambia.[1013] In Ethiopia, high oil prices pushed fertilizer costs to an unsustainable level.[1014] Other African nations, including Liberia and Amin's Uganda, turned directly to Arab oil producers to fund development projects for which they no longer had cash or foreign aid.[1015] Even the less poor African countries faced difficulties. Zaire, for example, benefited from record-high copper prices but still incurred a $180 million deficit in 1974 owing to increased oil prices. In Niger, where uranium deposits were expected to grow in value, high costs played a supporting role in the widespread discontent that led to the toppling of Hamani Diori in April 1974.[1016]

The collective problem confronted by the African heads-of-state in their December 1973 meeting became much more than an intra-African debate about the troubling credentials of their energy consultant. The experience of the African countries reflected a greater Third World reality: expensive oil caused their trade deficits to increase and their development plans to flounder. While African experiences were unique in many ways, they were not distinct.

Because of the small size of their national economies, oil formed a far larger percentage of the balance of payments for developing nations than it did for the Western industrial ones. Developing nations from Latin America, the Caribbean, and Asia joined

---

1013 SecState to AmEmbassy Pretoria, "Botswana Fuel Crisis," January 21, 1974, NARA, RG 59, CFP 1973-1976, ET.

1014 *FRUS, 1969-1976,* Vol. E-6, *Documents on Africa, 1973-1976*, 113. Telegram 222270 From the Department of State to the Embassy in Ethiopia, October 9, 1974.

1015 AmEmbassy Morovia to SecState, "Arab Loan Fund Assistance to Liberia," November 1, 1974, NARA, RG 59, CFP 1973-1976, ET; *FRUS, 1969-1976,* E-6, 194. Briefing Memorandum From the Assistant Secretary of State for African Affairs (Schaufele) to Secretary of State Kissinger, July 26, 1976.

1016 USMission USUN New York to SecState, "Meeting with Zaire State Commissioner for Foreign Affairs," April 17, 1974, NARA, RG 59, CFP 1973-1976, ET.

the Africans on the "Hardest Hit" list circulated by the United States and other industrial nations after the price increases.[1017] Raúl Prebisch's old friend and replacement as the President of the Economic Commission of Latin America, Enrique Iglesias, explained the Latin American situation. The energy crisis was "hitting the least-developed countries the hardest" because of their inability to gain access to "adequate funding in international money markets."[1018] Other countries had already pressed oil-rich Venezuela "to fulfill its duty" to what the foreign minister called his "less fortunate Latin neighbors."[1019]

The case in Asia was similar. The Japanese Deputy Prime Minister, Takeo Miki, travelled to Saudi Arabia to meet with King Faisal in November 1973. Rather than broaching the industrial ramifications of expensive oil for Japan, Miki emphasized humanitarian concerns. The food production of developing Asian states, he explained, had become dependent on Japanese petrochemical fertilizers. Without help paying for the oil used to make fertilizer, the states faced famine.[1020]

The oil-related problems of the Third World also alarmed American policymakers. Embassy reports and local news items rose quickly up the information chain and became a major concern at the highest level of government in early 1974. Kissinger dramatized the LDC problem that February. If all donors ended every aid program, public and private, the impact on the non-OPEC Third World would have been "much less severe than the rise in prices that was agreed to in one afternoon by the oil-

---

[1017]NS Divers, 551.510, Mocrofiche Collections, Archives of the OECD; *FRUS, 1969-1976,* XXXVI, 351. Paper Prepared in the Office of Policy Development and Analysis, Bureau of Program and Policy Coordination, Agency for International Development, "The Energy Crisis: A Review of the Additional Resource Needs of the Hardest Hit LDCs," April 16, 1974.
[1018]AmEmbassy Santiago to SecState, "View of ECLA Director Iglesias on Energy Crisis," April 3, 1974, NARA, RG 59, CFP 1973-1976, ET.
[1019]AmEmbassy Caracas to SecState, "Central American Economic Ministers," February 4, 1974, NARA, RG 59, CFP 1973-1976, ET.
[1020] Kazushige Hirasawa, "Japan's Tilting Neutrality," in J. C. Hurewitz, ed. *Oil, the Arab-Israeli Dispute, and the Industrial World: Horizons of Crisis* (Boulder: Westview, 1976), 140-141.

producing countries."[1021] Other observers agreed. The "NoPECs," as the non-oil developing countries were labeled in a thankfully short-lived neologism, faced short-term financial crisis and the ruin of long-term development plans.[1022] "The increased price in oil poses the most difficult adjustment problem for the developing countries," wrote a joint committee created by the World Bank and International Monetary Fund to deal with the crisis.[1023]

Third World leaders celebrated the success of OPEC in raising the price of oil, despite the profound effect on their economies. In a February 1974 speech delivered in front of Kissinger, Mexican president Luis Echeverría criticized American "restrictions of the exercise of sovereignty over natural resources" as part of an "economic and geopolitical design for hemispheric domination" by the United States.[1024] According to another Latin American group, the oil crisis confirmed "the vulnerability of the powerful and the strengthened position of the weak."[1025] The military head-of-state of Ghana, Ignatius Kutu Acheampong, criticized the attempts of "certain unnamed industrial

---

1021 Department of State, No. 41, "Remarks of Kissinger before the Harvard/Princeton/Yale Club," February 6, 1974, NARA, RG 59, Lord Files, 345.

1022 J. E. Hartshorn, "OPEC and the Development of Fourth World Oil," *Millenium: Journal of International Studies* 6: 2 (Sept. 1977): 162-174; Paul Hallwood and Stuart Sinclair, "The Non-oil Developing Countries and OPEC: Coalition or Conflict?" *Intereconomics* 19: 6 (1984): 290-296; Hans W. Singer, "The Brandt Report: A 'Northwestern' Point of View," *Third World Quarterly* 2: 4 (Oct. 1980): 694-700.

1023 Importantly, for the poorest countries, the scope for economic adjustment was confined to essential uses that were not easily reduced. See "Joint Ministerial Committee of the Board of Governors of the Bank and the Fund on the Transfer of Real Resources to the Developing Countries, Measures to Adjust to the New Outlook for Commodity Prices," December 23, 1974, MS. Eng. c. 5825, Sydney Dell Papers, Bodleian Libraries Special Collections (hereafter Dell Papers, BLSC).

1024 AmEmbassy Mexico to SecState, "Inaugural Session: Conference of Tlatelolco," February 22, 1974, NARA, RG 59, CFP 1973-1976, ET.

1025 Hal Brands, "Third World Politics in an Age of Global Turmoil: The Latin American Challenge to U.S. and Western Hegemony," *Diplomatic History* 32:1 (Jan. 2008): 112.

countries to impose their will on developing countries in the aftermath of the energy crisis."[1026]

Third World support for OPEC followed the doctrinal lines of permanent sovereignty. Kissinger expressed frustration at the Third World stance. "If you had abolished the [World Bank] and rolled prices back to September levels, the LDCs would be better off than they are today," he told the German Secretary of State, Egon Bahr. "The Arabs have done that and yet these greater consequences seem to be hardly noticed by the LDCs."[1027] Denis Healey agreed. "None of the LDCs...view that oil prices are too high," the British Chancellor of the Exchequer told his counterparts. "They see the situation as a legitimate exploitation of market power."[1028]

In the previous half-decade, Arab and non-Arab OPEC members employed the egalitarian rhetoric of permanent sovereignty in their quest for production and price control. As consistently, they used broad support in the United Nations as a stamp of legitimacy. Whenever an impasse arose in their negotiations with the multinational oil companies, OPEC members jointly threatened national legislation to enact their demands. The threat to employ permanent sovereignty undercut the companies' counter-argument that they held a "legally acquired right" to exploit national resources, even if the right had been attained as part of a colonial or otherwise unequal relationship.

OPEC had both employed and validated the discourse of permanent sovereignty. Within the organization, members disagreed on a number of topics, especially regarding the Cold War and the use of oil in the Arab-Israeli conflict. However, the OPEC nations put their political differences aside to pursue the primary goal of permanent sovereignty.

[1026]AmEmbassy Accra to SecState, "UN Secretary General Visits Ghana," February 27, 1974, NARA, RG 59, CFP 1973-1976, ET.
[1027] *FRUS, 1969-1976*, XXXVI, 295. Memorandum of Conversation, February 1, 1974.
[1028] "Foreign Participants in the 'Camp David' Meeting," September 28, 1974, DNSA, KT.

The United States' principal oil-producing allies in the Cold War, Saudi Arabia and Iran, worked closely with Saddam Hussein's Ba'ath and Muammar Gaddafi's Libyan Revolutionary Command Councils to increase the OPEC nation's control over their oil.[1029] By 1973, the distance between what were once known as the "oil radicals" and the "oil conservatives" had vanished.

The increased presence of permanent sovereignty on the international stage was causally linked to OPEC's control of prices in the minds of Third World leaders. Third World economic demands did not gain attention in 1974 because of the originality of their ideas. Rather, as one UN official noted, the ideas were "highlighted at a time when, following the OPEC example, the developing countries were perceived to be acquiring new bargaining strength, adequate to force decisions capable of making at least some dents on the existing world economic order."[1030]

OPEC members depicted themselves as a vanguard of permanent sovereignty, a model other commodity producers could follow. Algerian President Houari Boumediène told *Le Monde* in February 1974 that the American attempt "to establish a protectorate" over the post-crisis petroleum order necessitated a coherent Third World response.[1031] A day later, Boumediène invoked UN procedure and called for a Special Session of the General Assembly on the topic of "Raw Materials and Development." Boumediène argued, as had a host of LDC leaders before him, that permanent sovereignty was an end goal of decolonization. In his request, Boumediène emphasized the "new equilibrium

[1029] *FRUS, 1969-1976,* E-5, 2*,* 74. National Intelligence Estimate 36.5-71, Washington, April 30, 1971. This contradicts the traditional emphasis on division in Malcolm Kerr's seminal *The Arab Cold War: Gamal 'Abd al-Nasir and His Rivals, 1958–1970* (New York: Oxford University Press, 1971).
[1030] Dubey, United Nations Institute for Training and Research, "Establishing a New International Economic Order," June 1976, MS. Eng. c. 5825, Dell Papers, BLSC.
[1031] AmInt Algiers to SecState, "President Boumediene's [sic] Le Monde Interview," February 5, 1974, NARA, RG 59, CFP 1973-1976, ET.

between developed and developing states" and the possibility for "non-aligned [countries] to assert greater control over their natural resources."[1032] The market power of the large industrialized consumers had too long kept down raw material producers. Cartel action for a variety of natural resources was needed to revalorize earnings.[1033]

When Boumediène and other OPEC ministers touted their own sovereignty as an inspirational example for the Third World producers of other commodities, it was not surprising that they had such widespread support. Third World leaders genuinely hoped that OPEC stood at the cusp of a new movement to convert the political independence of decolonization into economic power. Boumediène opened the Sixth Special Session of the General Assembly with a "militant address," calling on developing countries to "take government action to raise the world market prices of their exports." The Algerian delegation rallied the majority of nations to their leader's call for a New International Economic Order. The New International Economic Order, the U.S. delegation reported, "confronted the developed world with...new rules for international economic relations which would respond to virtually all developing country demands expressed over the past two decades."[1034]

A confrontational tone emerged. It appeared as if the OPEC producers would be successful in defending their actions as "merely overthrowing the artificially low prices impose on them." The representatives of developing nations, the U.S. ambassador reported, "universally condemned the current structure of economic relations." When

---

1032 AmEmbassy Algiers to SecState, January 31, 1974, RNL, NSF 321, cited in *FRUS, 1969-1976,* XXXVI, 280. Editorial Note.

1033 United Nations, *Yearbook of the United Nations, 1974* (New York: United Nations, 1975), 305. On the importance of Algerian foreign policy, see Jeffrey Byrne, "Our Own Special Brand of Socialism," 427-447; Jeremy Scott Friedman, "Reviving Revolution: The Sino-Soviet Split, the 'Third World,' and the Fate of the Left" (PhD, Princeton University, 2011), 65-66, 79; Connelly, *A Diplomatic Revolution*, 68-116.

1034 Airgram A-4568 from the Department of State to All Diplomatic Posts, June 5, 1974, *FRUS* 1969-1976, Volume E-14, Part 1, Documents on the United Nations.

invited to address the UN delegates on April 15, Kissinger took umbrage with the New Order, emphasizing his opposition to cartels and unilateralism. The intervention meant little in practical terms. At the end of the Special Session, the General Assembly published a Program of Action. The primary goal of the New International Economic Order was phrased unmistakably in the language of permanent sovereignty: "to correct the inequalities and redress the existing injustices" of the international political economy, qualified as "the remaining vestige of alien and colonial domination."[1035]

Two weeks after his speech, Kissinger was the guest of Boumediène at the People's Palace in Algiers. Boumediène began their dinner by telling Kissinger that his economic ideas were "outdated." He then frankly asked why Kissinger continued to harp on high oil prices, when it was clear that expensive oil would remain a permanent characteristic of the international economy. Kissinger responded sharply by equating American policy on oil prices to that of "Brezhnev on world revolution." The analogy Kissinger chose is telling. His stand on oil prices was ideologically entrenched and he could not waver, just as Brezhnev could not. Kissinger realized the U.S. could do little to lower oil prices in the short term, he said to Boumediène. Nevertheless, he would never agree with the "demagoguery" of the United Nations or "the idea of cartels."[1036]

PREBISCH'S FAILURE

The challenge of permanent sovereignty had always been an existential one for liberal capitalism and the corporatist framework of the postwar era. The terms of trade thesis, and its neocolonialist and dependency outgrowths, questioned the basic dogma of comparative advantage. In doing so, it cast doubt on sharp lines drawn between politics and economics. However, permanent sovereignty had rarely been taken seriously by the

[1035] United Nations, *Yearbook of the United Nations, 1974* (New York, 1975), 306.
[1036] "Conversation at Dinner at the Peoples' Palace," April 29, 1974, RNL, NSF 1028.

United States and the other industrialized countries. Now, the oil power of OPEC and the call for a New International Economic Order in the United Nations stood squarely and vocally against the free market ideology that was becoming so central to American diplomacy.

The American delegation to the United Nations could not swallow what it called the "heavily biased presentation" in the United Nations. The delegation objected most strongly to what it called the "heart" of the resolution: articles allowing for nationalization, calling for "just and equitable relationships" between raw material export prices and import costs, and urging the creation of more raw material cartels.[1037] "The global rich country-poor country dialogue is in bad shape, as evidenced by the outcome of the UN Special Session," Winston Lord told Kissinger.[1038]

Potentially, the global dialogue had real economic consequences. Other attempts to practice permanent sovereignty had been written off as unsuccessful. Now they seemed more likely to proceed. "We have to face the fact that the OPEC syndrome is catching on. There are already phosphate-pecs, bauxite-pecs, banana-pecs and others," a worried Harold Wilson told President Ford.[1039] A March 1974 interagency study in the U.S. government reported the "more general concern that we may be passing from an era of abundant supplies into one of constant shortage."[1040] A poll of U.S. Treasury analysts noted the prevalent belief that "the 1972-1974 period might mark the dawn of a new era

[1037]*FRUS 1969-1976,* E-14, Part 1, 16. Airgram A-4568, June 5, 1974.
[1038] Lord to Kissinger, "Briefing Memorandum: Your Lunch with Outside Experts," May 31, 1974, NARA, RG 59, Lord Files, 345.
[1039]Memorandum of Conversation, November 16, 1975, GFL, Seidman Papers, 312.
[1040] "Critical Imported Materials: Study of Ad Hoc Group Established by NSSM 197," n.d. (July 1974), RNL, H-203.

for which past commodity policy was not longer suited."[1041] These positions reflected a broader societal critique of resource management in the United States, shared by interest groups such as the Club of Rome and the budding environmental movement.[1042]

The Ford administration took the challenge of permanent sovereignty seriously. In December 1973 and January 1974 staff meetings, Kissinger requested studies from both the State Department and the NSC on "the use of raw materials as a weapon against the West."[1043] After conducting its research, the State Department responded that "cartel-like action from minerals producers" was not "a general problem."[1044] In a more detailed report, the NSC responded that the probability of cartelized "price gouging" was highly unlikely in materials other than oil. Indeed, the largest recent efforts at non-oil permanent sovereignty had ended badly.[1045]

As the "South" of the increasingly invoked "North-South divide" came to terms with the promise and perils of permanent sovereignty, the United States used the issue of high oil prices to encourage a split between OPEC and the non-oil Third World. At a November 1975 summit meeting in Rambouillet, France, industrial nations agreed that it was necessary to break what Germany's chancellor, Helmut Schmidt, called "the unholy alliance between OPEC and the Third World."[1046] Kissinger, who later repeated the

---

1041 U.S. Treasury, "Summary of Report to Economic Policy Board on Commodity Policy for Non-Fuel Minerals," n.d. (April 1975), U.S. Council of Economic Advisers records, GFL, Alan Greenspan Files, Box 58.

1042 Tom Robertson, "'This is the American Earth': The American Empire, the Cold War, and American Environmentalism," *Diplomatic History* 32: 4 (2008), 561-584.

1043 NSSM 197, "Critical Imported Materials," March 4, 1974, *FRUS, 1969-1976*, XXXI, 255n2; Decision Memorandum, "The Secretary's Regional Staff Meeting," March 9, 1975, DNSA, KT.

1044 Lord to Kissinger, "Critically Imported Materials," March 22, 1974, NARA, RG 59, Lord Files, 345.

1045 Recent failed applications included Jamaican and Moroccan attempts to raise the prices of bauxite and phosphate, a series of copper price agreements between Chile and Zambia, and Prebisch's attempt to organize cocoa producers. See Winston Lord, "Critical Imported Materials: NSSM/CIEPSM Study," July 11, 1974, NARA, RG 59, Lord Files, 345. See also the interesting file on copper in the White House Central Files of the Lyndon Baines Johnson Presidential Library.

1046 Memorandum of Conversation, November 16, 1975, GFL, Seidman Papers, 312.

phrase, never doubted the goal. "The LDCs are weak reeds," he told his staff when planning for the Sixth Special Session. The State Department worked to weaken the reeds still further after the Special Session. Policy toward the UN complemented that toward the IMF, forming part of a coherent strategy to use the problem of oil-related debt as a political lever. The State Department began to form policies to help developing countries cope with their massive trade deficits. These policies applied especially the "hardest-hit," a fluctuating group composed by India, Pakistan, Bangladesh, Chile, Jamaica, and "many smaller African countries"[1047]

The Ford administration retooled the same basic tactics employed with the International Monetary Fund. The first evidence of neoliberal diplomacy toward the United Nations dealt directly with the now 74-year-old Raúl Prebisch. The General Assembly approved a series of emergency measures as part of the New International Economic Order, including the creation of an Emergency Relief Fund. Like the Witteveen facility, the Emergency Relief Fund was designed to mitigate the difficulties confronting the nations most seriously affected by "the global economic crisis."[1048]

The Secretary General of the United Nations, Kurt Waldheim, called Prebisch out of retirement to manage the fund. Now an iconic figure in the field of development economics, Prebisch endeavored with what his biographer has called a "youthful energy" to solicit funds for the UN emergency fund. On May 24, 1974, he described his itinerary to Enrique Iglesias: "The adventure has begun! Tomorrow I leave for a trip starting with

---

[1047] Secretary's Staff Meeting, March 18, 1974, DNSA KT; "Tab B: Assistance to the Hardest-Hit," May 1974, NARA, RG 59, Lord Files, 345.

[1048] United Nations, *Yearbook of the United Nations, 1974* (New York, 1975), 358.

the European Community and continuing on to Algeria, Rome, Libya, Kuwait, Abu Dhabi, Lebanon, Saudi Arabia, and Iran."[1049]

The State Department opposed the Prebisch mission. During the Sixth Special Session, the U.S. delegation voted against the Emergency Relief Fund on the grounds that such a "complex and highly technical matter" should be left to the International Monetary Fund.[1050] As soon as the session ended, the State Department argued against it in internal memos. The General Assembly had "properly identified [the] major task of relief for the poor countries hardest hit by oil," analysts told Kissinger. But the delegates had incorrectly passed the task "to a UN forum which neither the industrial countries nor the oil producers have shown a strong inclination to support."[1051] Writing with greater urgency a month later, Winston Lord and an NSC economist, Thomas Enders, told the Secretary that it was "politically necessary" for the United States to direct financial initiatives "to an international coordination point other than the UN's *Ad Hoc* Committee on a Special Fund." The Emergency Fund was "unwieldy and loaded against us."[1052]

American policy toward the UN began to mimic the tactics taken toward the International Monetary Fund. In a hook-and-ladder moment, the U.S. used a combination of conciliatory, multilateral language and alternative proposals to supplant the "international coordination point." Kissinger called for a Development Security Fund, which would use a mix of aid and private capital. Described as a compromise, the proposal was actually designed to replace the Emergency Relief Fund.[1053] Prebisch, on the

---

1049 Edgar J. Dosman, *The Life and Times of Raúl Prebisch, 1901-1986* (McGill-Queens University Press: Montreal, 2008), 471.
1050 *FRUS 1969-1976,* E-14, Part 1, 16. Airgram A-4568, June 5, 1974.
1051 Lord to Kissinger, "Briefing Memorandum: Your Lunch with Outside Experts," May 31, 1974, NARA, RG 59, Lord Files, 345.
1052 Briefing Memorandum, Lord and Enders to Kissinger, "Following Up Your UN and OAS Speeches," May 1974, NARA, RG 59, Lord Files, 345.
1053 Department of State *Bulletin*, September 22, 1975, 425-441.

other hand, believed the UN fund should continue on a permanent basis. As of September 1975, he had gathered between $5 billion. He reported to Waldheim that the aid would not meet the financing gap expected for the developing countries in 1974 and 1975. For Prebisch, the proportion of multilateral contributions was "very small" compared to the problem of oil-related deficits.[1054]

Prebisch himself noted the link between U.S. policy toward the United Nations and the International Monetary Fund. "Unfortunately, the figure proposed by Dr. Witteveen was cut by the U.S. delegation," he wrote Kurt Waldheim in January 1975. The fact that the new Witteveen facility would not be enough to meet the deficits of the developing countries in 1975 raised an "important problem" for Prebisch: "There will be a vacuum that has to be filled in one way or another," he concluded, "to avoid a very difficult situation for the hardest hit developing countries."[1055]

NEOLIBERAL DIPLOMACY

That vacuum would be filled mostly by private banks. In contrast with the privileged position of international institutions in the Bretton Woods era, in 1974 and 1975 private capital markets gained prominence. Proposals by the Ford administration in the UN, not to mention diplomacy toward the International Monetary Fund, served as a corridor into the capital market for developing nations. Conciliatory rhetoric helped construct the corridor and lead the Third World into it.[1056]

1054 United Nations, *Yearbook of the United Nations, 1974* (New York, 1975), 359; Dosman, *op. cit.*, 472-474; UNDP, "Current Situation on the United Nations Emergency Operation," August 22, 1974, MS. Eng. c. 5825, Dell Papers, BLSC; United Nations Emergency Operation, Report to the Secretary General, June 16, 1975, MS. Eng. c. 5825, Dell Papers, BLSC.
1055 UN Interoffice Memorandum, Prebisch to the Secretary General, "Recent Financial Discussions in Washington, D.C.," January 21, 1975, MS. Eng. c. 5825, Dell Papers, BLSC.
1056 For economic analysis, see Jan Tumlir and T. M. Rybcyznski, "Oil Payments and Oil Debt and the Problem of Adjustment," in T. M. Rybcyznski, ed., *The Economics of Oil Crisis* (London: Macmillan, 1976). See also, Patrick Allan Sharma, "The Road to Structural Adjustment: Changing Norms of Development at Robert McNamara's World Bank, 1968-1981" (Ph.D., UCLA, 2010).

As with the question of petrodollar recycling, Third World debt provided the State Department with different options. The surge of international liquidity provided by OPEC, scholars of the international finance have shown, dovetailed neatly with the lending plans promoted by the United States' largest banks.[1057] American banks, onshore and off, would play the central role in recycling petrodollars. Bankers accepted the oil exporters' deposits and lent them to countries that were short on capital. The infusion of capital into the private market relieved financial executives of previous funding worries.[1058] According Denis Healey, "the bankers...were licking their lips at the thought of what they would get out of it."[1059]

At the same time, notwithstanding declarations of Third World unity, OPEC preferred to keep its money in the First World.[1060] The concentration of a significant share of the world's liquid capital in petrodollars, channeled through a small number of American and European banks, in turn fueled a highly liquid international market. Much of the liquidity was used for interbank loans, leading to a growing dependence on volatile, short-term deposits. Volatility led banks to apply variable interest rates.

1057Helleiner, *States and the Reemergence of Global Finance*, 146-168; Karin Lissakers, *Banks, Borrowers, and the Establishment: A Revisionist Account of the Debt Crisis* (New York: Basic Books, 1993); Lars Schoultz, "Politics, Economics, and U.S. Participation in Multilateral Development Banks," *International Organization* 36 (Summer 1982): 537-574; Charles Lipson, "Banker's Dilemmas: Private Cooperation in Rescheduling Sovereign Debts," *World Politics* 38 (Oct. 1985): 200-225.

1058For the perspective of the banks: David Rockefeller, *Memoirs* (New York: Random House, 2002), 281-302; Walter B. Wriston, *Risk and Other Four Letter Words* (New York: HarperCollins, 1987), 144-150.

1059 Cited in Jerome Levinson, "A Perspective on the Debt Crisis," *American University Journal of International Law and Policy* 4: 3 (Summer 1989): 501. The Ford administration supported the banks fully. The banks initially refused to provide information, citing confidentiality, when subpoenaed by the Senate Subcommittee on Multinational Corporations. In 1975, Simon entered into an agreement with Saudi Arabia and Kuwait not to disclose the size of their U.S. holdings in any published U.S. government report. See Lissakers, *Banks, Borrowers, and the Establishment*, 20-22, 36; Hearings before the Subcommittee on Multinational Corporations of the Senate Committee on Foreign Relations, July-October 1975), 94th Congress, 1st Session, part 15, 21; "Federal Response to OPEC Country Investments in the United States," Hearings before the Subcommittee on the House Committee on Government Operations, 97th Congress, 1st Session (1981), part 1, 462-463.

1060Lissakers, *Banks, Borrowers, and the Establishment*, 36.

Changing interest rates allowed banks to shift the cost of funds to their borrowers. Many of these borrowers, they hoped, would be the sovereign states of the Third World.[1061]

Henry Kissinger convened a top-level State Department meeting to discuss the international economy in February 1975. Flush from the victory over the Witteveen facility a month earlier, Kissinger's economic adviser, Tom Enders, delineated the relationship between economics and politics in U.S. policy toward the Third World. Conciliation in the political realm and resoluteness in the economic worked hand-in-hand. "The main point is political; breaking up the bloc of 77," he told Kissinger. Economic diplomacy provided the key to this political goal: "A new commodity framework" would "take preemptive action politically" and have "substantive economic interest." American strategy could thus balance "anti-cartel provisions" with more palatable concessions to the Third World. Conciliation included putting "money on the table" through "provisions relating to access to markets and access to financing." American policy would shield economic rigidity with political compromise and the carrot of investment incentives. Enders hoped U.S. policy could limit "UNCTAD, the Algerians, and others'" ability "to exploit this as a North-South issue."[1062]

Kissinger followed Enders' broad suggestions, much to the dismay of William Simon. The Treasury Secretary argued vehemently that the emphasis on compromise in U.S.-Third World diplomacy sent the wrong message. "To imply that the 'system' is the problem can only serve to provide grist for the political mills of those political leaders...who choose to excuse their own policy failures by blaming them on forces

[1061]Lissakers, *Banks, Borrowers, and the Establishment*, 43-45; Spiro, *The Hidden Hand of Hegemony*, 37-39; Mattione, *OPEC's Investments and the International Financial System* (New York: Brookings Institution, 1987), 22-37; Paul Hallwood and Stuart W. Sinclair, *Oil, Debt, and Development: OPEC in the Third World* (London: Allen & Unwin, 1981), 11-24.
[1062]Memcon, "Commodity Initiative," February 22, 1975, NARA, RG 59, CFP 1973-1976, PD820123-0999.

beyond their control," he wrote Kissinger.[1063] Simon saw the move toward conciliatory language as an ideological betrayal. He wrote to President Ford that the strategy placed the United States "in danger of compromising our basic commitment to the free enterprise system."[1064]

Simon lost the battle. In July 1975, he offered to assign a Treasury officer to Moynihan's UN delegation, an offer the State Department declined by stating simply that "the continuing battles on U.S. international economic and financial policy should be fought and resolved in Washington."[1065] The attempt by Simon to block Kissinger's UN diplomacy points toward longer turf war between Treasury and State in making foreign economic policy. The problem of Third World debt was a natural location for such a battle. Before being replaced by Simon, George Shultz argued that the Treasury should take the lead in rescheduling the oil-related debt of developing nations. The Treasury proposal posed "serious problems for the conduct of foreign policy," Winston Lord wrote to Kissinger at the time. Further increases in the price of oil would prevent many more countries from meeting their debt obligations. Getting "the right mix" of Western aid, capital loans, and oil-producer contributions was "at the heart of our foreign policy approach to the energy problem as it affects LDCs." The Treasury proposal denied the U.S. government "the flexibility to handle future debt relief on the basis of any considerations other than financial."[1066]

Kissinger defended the right of the State Department to set the tone of economic diplomacy, a fact evident in the United States' conciliatory stance toward the next Special

---

1063 Stein, *Pivotal Decade*, 92.
1064 Simon and Seidman, "Memorandum for the President," n.d. (May 1975), GFL, CEA, 58.
1065 Eagleburger to Moynihan, August 19, 1975, The Papers of Daniel P. Moynihan, I: 335, LOC.
1066 Action Memorandum, Lord to Kissinger, "Treasury and Less-Developed Country Debt: EB's Memorandum to You," February 19, 1974, NARA, RG 59, Lord Files, 345.

Session of the UN General Assembly, held in November 1975. Still, in the end "the right mix" of public and private capital was close to Simon's free-market objectives. Kissinger explained to Ford, "My role is to project an image of the U.S. which is progressive." Despite the fact that he agreed on substance with Simon, the United States could not take such a strident ideological line. Rather than attempt "to vindicate a system which no one will support," Kissinger hoped that he could "fuzz it up" and make economic gains with little or no political sacrifice. "I don't want to accept a New Economic Order," he told the president, "but I don't want to confront Boumediène." Ford agreed, telling Kissinger, "I see no reason to talk theory when we can in a practical way just screw up the negotiations."[1067]

Later the same day, Kissinger again explained the goals of conciliation to Simon. He repeated that he was not betraying his free market breakthrough of the previous year, but protecting it:

> Given the fact of Marxist domination in the thinking of LDCs, it is suicide to defend the existing system. We would be like the Austrians in the 19th century. We have to avoid an international dispute where Americans say the existing system is great and the LDCs call for a new economic order. This is a losing wicket. Nobody will support us."[1068]

Ford supported Kissinger in a Cabinet meeting the next day. "I strongly believe in the free enterprise system," he told a simmering Simon. The problem could be solved best "through a papering over of wording differences." Specifically, it would not pay off for the United States to take a "theological" stance against the "general philosophy" of the

---

[1067]MemCon, May 24, 1975, GFL, NSA Memcons, 12.
[1068]*FRUS, 1969-1976*, XXXI, 293. Memcon, "IEA and OECD Meetings," May 24, 1975.

New International Economic Order. The President believed that the U.S. delegation could "control the situation better by seeming conciliatory and cooperative."[1069]

Simon disagreed, asking Ford, "If we don't defend the free market...who will?" The Chair of the Federal Reserve, Arthur Burns, agreed with Simon. "It appears...that we are going to acquiesce in manipulation or market control arrangements," he lamented to the rest of the Cabinet members. Kissinger responded to the two economists, explaining again that the move toward conciliation was tactical, not substantive. "Obviously we can't accept the new economic order," he said. "But, I would like to pull its teeth." The U.S. goal was to "divide these countries up, not solidify them." Like Ford, Kissinger used spiritual terms to object to a rigorous free-market discourse. "We can't do this on a theological basis," he repeated.

Ford made the final decision, telling Simon, "We need not go around reiterating the virtues of the private enterprise system." Although Simon continued to disagree, the president was firm. He told the frustrated ideologue, "We can then defend free enterprise best in this way." At the end of the meeting, Kissinger again reassured Simon, reminding him that they shared the broadest objectives. "We can use the ambiguities to accomplish our objectives," Kissinger said. He then added pointedly, "It is better to have the Finance Ministers be bastards."[1070]

Although Simon did not mention it, part of the 1975 policy followed up on his broader analysis of the unnatural nature of expensive oil. In a March 1974 interagency

---

[1069]Memcon, May 26, 1975, GFL, NSA Memcons, 12.
[1070]Memcon, May 26, 1975, NSA Memcons, Box 12, GFL.

paper, Treasury and State analysts linked the relationship between OPEC and the Third World to higher oil prices. "To the extent that international institutions or industrialized countries mitigate the oil-induced balance of payments difficulties of LDCs, the case for a price rollback is weakened," they wrote, reflecting the argument Simon made regarding the Witteveen facilities in the International Monetary Fund. "[I] if we do nothing, the full effects of the financial hardships on LDCs will be manifested in a strong expression of world public opinion aimed at a price rollback."[1071]

Thus, Kissinger subtly changed the neoliberal diplomacy of late 1973 and 1974 in his policy toward the Seventh Special Session in 1975. In 1974, he used economic philosophy as an overarching vision of U.S. foreign policy. Now he took the opposite stance. "If we make these ideological issues, they will be insoluble with the LDC's," he explained to one Treasury official. "They will not be insoluble if they can be reduced to technical issues." The statement was the exact inverse of his 1973 conversation with Shultz, in which he lamented that economic policy was too often arrived at on purely technical grounds.[1072]

Kissinger told Brent Scowcroft, "On the world economic scene, I think we shouldn't push so hard on the philosophic 'free market' push. We should deal pragmatically."[1073] His economic turn nonetheless remained a central driving force in his diplomacy. "Foreign policy," he told the Treasury official, in a phrase that would be

---

1071 *FRUS, 1969-1976*, XXXVI, 346. Paper Prepared by the Ad Hoc Group of the International Energy Review Group Working Group, March 29, 1974.

1072 *FRUS, 1969-1976*, XXXI, 297. Gardner to Simon, "Kissinger Speech to U.N. Special Session," August 20, 1975.

1073 Memcon, Kissinger, Ford, and Scowcroft, May 15, 1975, Oval Office White House Files, Box 11, GFL. Thanks to Bat Sparrow for the quote.

much-repeated in the following decades, "is fueled by economic issues." A preponderance of evidence suggests that Kissinger saw conciliation with the New Order as a tactic, and agreed with Simon and Ford on the larger question of the free market. Furthermore, the United States' new emphasis on human rights was linked to the concerns about the market. "On the broader North/South question," Kissinger told Simon in May 1975, "I want to split them....That is why we have Moynihan going up there to take them on."[1074]

The Simon-Kissinger debate suggests that a deep-rooted agreement existed below their superficial quarrel over tactics. Kissinger discussed the strategy with Moynihan in June 1975, in preparation for the Seventh Special Session of the General Assembly. "I don't want to take an ideological stance and simply argue the virtues of the market economy," he told the new ambassador, now two weeks from taking up the post. "Our basic strategy must be to hold the industrialized powers behind us and to split the Third World." By focusing attention on practical measures, Kissinger continued, "Bloc formation in the Third World can be inhibited."[1075]

Kissinger met with his staff several times to discuss the Seventh Special Session of the United Nations. He also received regular updates from a new joint National Security Council and Economic Policy Board (EPB) task force on commodities, assigned to iron out policy differences between the Departments of Treasury and State. The task force advised Moynihan's team to take a "flexible approach." Flexible, it turned out, was

[1074] *FRUS, 1969-1976*, XXXI, 293. Memcon, "IEA and OECD Meetings," May 24, 1975.
[1075] *FRUS, 1969-1976*, Vol. XXXI: Foreign Economic Policy, 1973-1976, 295. Editorial Note.

a relative term. The U.S. would continue to oppose the more outright forms of permanent sovereignty, including "indexation, generalized multi-commodity agreements, and specific commodity agreements that attempt to maintain prices above long-term market levels."[1076]

The Seventh Special Session began in November 1975. American policy was to separate what one official called "the middle class" developing countries from "the international basket cases." Moynihan and his delegation emphasized "the incompatibility of interests" between the "resource rich" and the "resource poor."[1077] Addressing the Seventh Special Session, Moynihan questioned the legitimacy of the New International Economic Order. But, he also promised that the United States would restructure world economic relations to improve Third World access to Western markets. Moreover, Kissinger had instructed Moynihan to accede to consumer-producer forums for each major commodity. Finally, the American delegation called for the creation of a series of new banks with softer lending criteria. The banks, including an International Resource Bank, would assist the developing countries' ability to exploit their own resources.[1078]

If aspects of permanent sovereignty had become broadly accepted, free market thought remained powerful in the American conceptions of the pragmatic results Ford and Kissinger sought. The goal of the policy of conciliation was to incorporate

---

[1076] *FRUS, 1969-1976*, Vol. XXXI: Foreign Economic Policy, 1973-1976, 295. Editorial Note.
[1077] Ferguson to Moynihan, "U.S. Policy Re: 7th Special Session," July 11, 1975, The Papers of Daniel P. Moynihan, I: 335, LOC.
[1078] Branislav Gosovic and John Gerard Ruggie, "On the Creation of a New International Economic Order: Issue Linkage and the Seventh Special Session of the UN General Assembly," *International Organization* 30 (Spring 1976), 309-345.

permanent sovereignty into the fold of neoliberal diplomacy. The best example of this is the denouement of the proposals for new regional banks and the International Resource Bank. On the technical side, American policy continued along the lines suggested in the first Kissinger-Shultz-Simon discussions in late 1973. The U.S. would promote what the State Department called "semi-commercial banks" to provide finance for countries that were threatened with being "crowded out of international capital markets."[1079] Treasury recommendations expressed the objective of the banks most clearly. "We should encourage the use of financial incentives to increase the number of producers," a Treasury working group on commodities recommended. Economically and politically, the equation was remarkably simple: "More producers mean less [sic] cartels and less effective cartels."[1080]

The proposal for the International Resource Bank envisioned several other steps to curtail the political effectiveness of the New International Economic Order. Pushing against one of the planks of permanent sovereignty, the United States urged the Third World to accept an international agreement to protect private investment. Safeguarding the investments of multinational corporations became a central aspect of neoliberal diplomacy.[1081] The U.S. government also continued to promote mixed, private-public capital as a corridor to the free market. In August 1975, Kissinger requested Ford's

[1079] *FRUS, 1969-1976*, XXXI, 297n3. Gardner to Simon, "Kissinger Speech to U.N. Special Session," August 20, 1975.
[1080] "Treasury Comments on Critical Imported Commodities: NSSM 197/CIEPSM 33," n.d. (Aug. 1974), RNL, H-203.
[1081] Vernie Oliveiro, "The United States, Multinational Enterprises, and the Politics of Globalization" in Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent eds.,*The Shock of the Global: The 1970s in Perspective* (Cambridge, Mass.: The Belknap Press of Harvard University Press, 2010), 145.

approval for a $200 million replenishment of the International Fund for Agricultural Development, and a $450 million one for the International Finance Corporation. The additional funds would enable the World Bank "to increase its involvement in the development of mineral sources." The money would "complement private investment" and allow the World Bank to establish an investment trust that would "expand the access of...the middle-level developing countries to international capital."[1082]

The State Department hoped the initiatives would blunt the egalitarian criticism of the New International Economic Order. Moynihan believed they did, advising the General Assembly that the United States had shown "that it could negotiate in good faith, and doing so, reach genuine accord." Waldheim fought back in the closing address of the Seventh Special Sessions, pointedly telling Moynihan and the other delegates that the New International Economic Order was "about change, not about a smoother management of the *status quo*."[1083]

By then it was evident to most observers that the policy of conciliation had paid direct dividends. Kissinger's replacement as National Security Adviser, Brent Scowcroft, reported the success of the UN strategy to Ford. The new Conference on International Economic Cooperation, an outgrowth of the Seventh Special Session, had been attended by the finance and economic ministers of 8 industrialized countries, 8 OPEC members, and 11 developing countries. Solid groundwork for a "constructive North-South dialogue" had been established on the basis of American objectives, Scowcroft wrote.

[1082] *FRUS, 1969-1976*, XXXI, 297. Kissinger to Ford, "Budgetary Implications of the UNGA Speech," August 27, 1975.
[1083] Quoted in Gosovic and Ruggie, "On the Creation of a New International Economic Order," 309.

Public diplomacy, "our intention to be conciliatory," had paved the way future initiatives emphasizing the private market. Diplomacy had weakened the "unnatural" alliance between OPEC and the other LDCs "by highlighting the adverse impact of the oil price increase and demonstrating our sympathy for the problems this has caused."[1084]

The success of American strategy was as evident to Third World leaders as it was to Scowcroft. In a meeting of Latin American energy ministers, one stated that "Each nation has the right to the sovereign use of its natural resource." Permanent sovereignty, though, was not as clear cut in the hands of the OPEC nations. "[T]he right of individual livelihood imposes the obligation toward collective survival," he continued.[1085] The 1975 Lomé convention, an agreement signed between the European Community and 71 Third World nations, pointed toward the new trend. The agreement provided formerly colonized nations with duty-free access to key European commodity markets. The breakthrough was hailed by its supporters as an "innovative and groundbreaking move toward more equitable trade and aid relations."[1086]

The most influential Third World voices understood the accords differently. For Enrique Iglesisas, the Lomé Convention signaled "the death of the Prebisch-inspired UN Conference on Trade and Development scheme." Developing countries' interests had been moved from under the United Nations "'bloc' umbrella." The convention reinforced

---

1084 Scowcroft to Ford, "Report on the Conference on International Economic Cooperation," December 1975, *FRUS, 1969-1976*, Vol. XXXI: Foreign Economic Policy, 1973-1976, 300.

1085 AmEmbassy Buenos Aires to SecState, "4th Meeting of Latin American Ministers of Energy," August 21, 1974, ET, CFP 73-76, RG 59, USNA.

1086 Isebill V. Gruhn, "The Lomé Convention: Inching Toward Interdependence," *International Organization* 30 (Spring 1976): 240; John Ravenhill, "What Is to Be Done for the Third World Commodity Exporters? An Evaluation of the STABEX Scheme," *International Organization* 38 (Summer 1984): 537–574.

the economic positions of the developed and developing world, Iglesias lamented. It was "a significant relapse in the sense that it is a straightforward and open neo-colonialist arrangement."[1087]

American policymakers felt confident that most developing countries would accommodate U.S. policy. The promise of technology and investment capital, no matter the terms, was too enticing. After the initial proposal at the Seventh Special Session, the State Department and the Treasury continued to work together to develop a specific plan for the International Resource Bank. Free market thought drove the discussion. Ultimately, the bank sought to "mobilize and encourage" the flow of private and public capital into resource development projects. Again, following Simon's long-standing emphasis on private capital, public finance served the purpose of reinforcing the private financial sector. "The primary function of the International Resource Bank," the State Department wrote, "will be to facilitate the financing of resource investment projects." The bank would also "exert a moderating influence on host country disputes with private companies." The relegation of permanent sovereignty in the international economy, in turn, would secure "the essential raw materials to sustain global prosperity."[1088]

American officials sought to bring precision to the proposal for an International Resource Bank in the following months. The pre-eminence of private capital became even clearer during the process. The U.S. mission to the OECD emphasized that the bank

---

[1087] Ferguson to Moynihan, "U.S. Policy Re: 7th Special Session," July 11, 1975, The Papers of Daniel P. Moynihan, I: 335, LOC. For a much more optimistic view from the Carter administration see: Pastor to Brzezinski, "The Lomé Agreement and Latin America," December 28, 1978, *DDRS* CK3100136427.
[1088] UNCTAD Position Paper, International Resource Bank, April 22, 1976, L. William Seidman Papers, Box 73, GFL.

would have a "broad mandate" in the developing countries, especially "where there is a need to facilitate investment." Specifically, the resource bank would use a new financial instrument, commodity bonds, to provide extra capital to potential raw material producers. In return for commodity bonds, the producing countries would guarantee their contracts with private companies.[1089] The specter of OPEC's permanent sovereignty was never far off in crafting this proposal. One State Department official explained in the UN, "The I[nternational] R[esource] B[ank] would not operate as a traditional bank in the sense of making loans to resource projects from general funds." Rather, it would connect private investors to host governments and "guarantee the performance commitments made by all participants in the contract."[1090]

Simon wrote to World Bank President Robert McNamara in October 1976 to suggest that the World Bank begin studying the proposal for the establishment of the International Resources Bank.[1091] The World Bank prepared a scathing critique, but it agreed to take on the role of providing "insurance" loans in the fields of energy and raw material exploration and production.[1092] The U.S. Mission to International Organizations

---

1089 "OECD, High Level Group on Commodities, International Resources Bank, Note by the United States Delegation," September 8, 1976, MS. Eng. c. 5825, Sydney Dell Papers, Bodleian Libraries Special Collections.

1090 Sydney Dell and Bradford Morse, "Progress of the Proposal for an International Resources Bank," August 30, 1976, MS. Eng. c. 5825, Sydney Dell Papers, Bodleian Libraries Special Collections.

1091 Sydney Dell to Bradford Morse, "International Resources Bank: World Bank Study," October 13, 1976, MS. Eng. c. 5825, Dell Papers, BLSC. In 1976, in an event that was publicized as another example of American conciliation, Kissinger proposed the creation of the International Resources Bank directly to the UN Conference on Trade and Development. See: Department of the State *Bulletin*, May 31, 1976, 657-672.

1092 Manfred Holthus, et. al., *Multilateral Investment Insurance and Private Investment in the Third World* (New Brunswick: Transaction Press, 1984), 16; Mike Faber and Roland Brown, "Changing the Rules of the Game: Political Risk, Instability and Fairplay in Mineral Concession Contracts,"*Third World Quarterly* 2: 1 (1980): 100-119.

in Geneva reported that U.S. policy had successfully "generated severe strains within the G-77 and fracture lines in the Non-Aligned Movement."[1093]

NON-PERFORMANCE FOR POLITICAL REASONS

Moynihan laid out his philosophy for the Seventh Special Session in private letter to William F. Buckley, the conservative editor and television host. "You will pardon my conviction that we had showed that we were willing to work with them, but not about to be bullied," he wrote.[1094] The public strategy toward the UN, emphasizing a superficial conciliation with the New International Economic Order, diverged from the initial response to the 1973 price increases.

If public diplomacy changed, the objectives behind foreign policy did not. The International Resources Bank was a necessary instrument because permanent sovereignty had "distorted" the "pattern of foreign, primarily private, resource investment," the U.S. delegation to the OECD explained. The "deterioration" in the investment climate needed a remedy. By granting assurances against permanent sovereignty—rephrased as "non-performance for political reasons"—U.S. policy hoped that commodity bonds of the International Resource Bank would minimize the obstacles to "the most rational" international distribution of capital investment.[1095]

The United States continued to use its power in international affairs to control various multilateral decision-making processes, especially those central to setting the

1093 Ferguson to Moynihan, "U.S. Policy Re: 7th Special Session," July 11, 1975, The Papers of Daniel P. Moynihan, I: 335, LOC.
1094 Moynihan to Buckley, September 17, 1975, The Papers of Daniel P. Moynihan, I: 335, LOC.
1095 OECD, High Level Group on Commodities, International Resources Bank, Note by the United States Delegation, September 21, 1976, MS. Eng. c. 5825, Sydney Dell Papers, Bodleian Libraries Special Collections.

agenda for the international political economy. As with the International Monetary Fund, U.S. policy toward the New International Economic Order, the UN Emergency Fund, and the Seventh Special Session worked to pull global economic processes toward the free market.

Prebisch noted the success of neoliberal diplomacy and the failure of his own. He wrote to Waldheim, "The heavy borrowing of all types has added markedly to the indebtedness of these countries."[1096] The International Monetary Fund reported that the total international bank claims on nonbanks rose from $61 billion at the end of 1970 to $326 billion in December 1976.[1097] The "over-optimistic" evaluation of the Third World position by raw material producers, based less in economic reality than in the egalitarian ideology of permanent sovereignty and the New International Economic Order, increased the demand for development loans. American proposals pushed the Third World nations toward private capital. Development funding increasingly took the form of private loans. International Monetary Fund analysts predicted that the poor countries' exposure to commercial credit would have drastic negative effects on their development and on the international monetary system, including large-scale defaults and currency instability.[1098]

1096 United Nations, *Yearbook of the United Nations, 1974* (New York, 1975), 359; Dosman, *op. cit.*, 472-474; UNDP, "Current Situation on the United Nations Emergency Operation," August 22, 1974, MS. Eng. c. 5825, Sydney Dell Papers, Bodleian Libraries Special Collections; United Nations Emergency Operation, Report to the Secretary General, June 16, 1975, MS. Eng. c. 5825, Sydney Dell Papers, Bodleian Libraries Special Collections.

1097 Andrew Crockett and Malcolm Knight, International Commercial Banking and World Economic Stability, September 7, 1977, World Reports, IMF Archives.

1098 SM/77/111, prepared by the Exchange and Trade Relations Department, "International Banking: Recent Developments and Prospects for 1977," World Reports, IMF Archives.

Conclusion: *The Irony of Permanent Sovereignty*

Trends are not laws.

Karl Popper, 1957[1099]

Attempts to imagine a better future have remained simplistic and schematic.

Albert O. Hirschman, 1982[1100]

The application of permanent sovereignty had been profitable and complete for the OPEC nations. "In view of the radically changed circumstances since the establishment of OPEC in 1960," the oil ministers formulated a new long-term strategy. A "group of experts" met nine times over two years and commissioned a number of outside studies. In his introduction to the final committee report, Ahmed Zaki Yamani noted that OPEC had "more than achieved its initial objectives." The oil producing nations "had come to take full control over all aspects of their oil industries, including the key decisions of pricing, production levels, and investment."[1101]

Walt Rostow also described the effects the application of permanent sovereignty by OPEC. The oil producers had come to the front of "an intellectual revolt" and turned it into "a political revolt from which the international community still has not recovered."[1102] OPEC had reversed the terms of trade for oil with momentous

[1099] *The Poverty of Historicism* (London: Routledge and Kegan Paul, 1957).
[1100] Alfred O. Hirschman, "Rival Interpretations of Market Society: Civilizing, Destructive or Feeble," Journal of Economic Literature (Dec. 1982): 94-95
[1101] OPEC, Report of the Group of Experts, Submitted to and Approved by the Fourth Meeting of the Ministerial Committee on Long-Term Strategy, February 22, 1980, MS. Eng. c. 5827, Dell Papers, BLSC.
[1102] Walt W. Rostow, *Theorists of Economic Growth from David Hume to the Present* (New York: Oxford University Press, 1990), 378.

consequences. The leaders of the oil nations continued to place themselves on the rhetorical cusp of Third World sovereignty. Recently decolonized and other Third World nations had attempted to use their permanent sovereignty to gain greater wealth since the early 1950s. They had almost always failed. Now, according to the powerful egalitarian narrative, OPEC had reset the terms of trade between peripheral raw material suppliers and metropolitan consumers.

OPEC AND THE THIRD WORLD

The energy crisis became an unquestioned reference point for broader issues in the international political economy. Many observers agreed with Rostow and the oil ministers. The terms of trade thesis had become an article of faith among political economists. In his 1979 Nobel Prize Lecture, Arthur Lewis pointed out that economic growth in the industrialized world did not cause commensurate growth in exports from poor countries.[1103] Likewise, Lance Taylor accepted "the iron law of trade for poor countries" that relegated Third World nations to be the hewers of raw materials and drawers of oil for the industrialized world.[1104]

Prebisch's controversial terms-of-trade thesis was more influential than ever. Likewise, the ability of permanent sovereignty to reset the trade patterns imposed by colonialism was a widely-accepted belief. Ali Mazrui, an Oxford-trained Kenyan political scientist who had been exiled from the University of Makarere by Idi Amin, delivered a series of lectures for the BBC. Linking past and present inequality, Mazrui argued that permanent sovereignty had been only a step towards "a more equitable share

---

[1103] W. Arthur Lewis, "The Slowing Down of the Engine of Growth," *American Economic Review* 70 (1979): 555-564.

[1104]David Evans, "International Commodity Policy: UNCTAD and NIEO in Search of a Rationale," *World Development* 7 (1979): 259-279; Edmar Bacha, "An Interpretation of Unequal exchange from Prebisch-Singer to Emmanuel," *Journal of Development Economics* 5 (1978): 319-329.

not only of the resources of the planet but also of the capacity to control the march of history."[1105]

The majority of UN members also envisioned permanent sovereignty as a cure for the question of unequal exchange. "[S]uch objectives as removing injustice and inequity among nations, narrowing the widening gap between rich and poor nations, and enabling the Third World to occupy its rightful position in the world economy cannot be realized unless there is a transformation of the world economic order," the UN wrote in its new training manual in 1976. Since Prebisch's foundational critique of comparative advantage a quarter century before, permanent sovereignty had defined Third World hopes for a post-imperial future. Full control over natural resources, the manual continued, "is regarded as one of the decisive instruments for the economic liberation of the developing countries."[1106]

As the extent of oil-related debt became clear, however, one would be pressed to interpret the UN training manual as anything but a counsel of despair or, alternatively, an extraordinary leap of optimistic imagination. Once a ballast of economic liberation for the Third World, permanent sovereignty had folded in upon itself. The developing nations without indigenous oil reserves suffered the most from the oil price increases. During the Seventh Special Session of the UN General Assembly and after, it had taken only a nudge by the United States to undermine the egalitarian idealism of the New International Economic Order and bring most of the cash-starved Third World to the private financial market.

[1105] Ali Mazrui, *The African Condition* (New York: Cambridge University Press, 1980), 87.
[1106]Dubey, United Nations Institute for Training and Research, "Establishing a New International Economic Order," June 1976, MS. Eng. c. 5825, Dell Papers, BLSC.

The principle of sovereign non-interference, confirmed in the Helsinki Final Act in 1975, did not extend into the economic realm. For the proponents of permanent sovereignty, this was a bitter pill to swallow. A winter of discontent swept through Third World economic thought in the late 1970s. Development economists were particularly dismayed. In his presidential address before the American Economc Association, entitled "The State of Development Theory," Lewis described the field as "in the doldrums."[1107] H. W. Arndt published *The Rise and Fall of Economic Growth*, emphasizing the latter.[1108] Albert O. Hirschman discussed "The Rise and Decline of Development Economics" in the first chapter of his book *Essays on Trespassing*.[1109] Shortly after, Deepak Lal wrote about *The Poverty of Development Economics*.[1110] Amartya Sen lamented that development economists, "would-be dragon slayers," felt that they "had fallen on their swords."[1111]

Permanent sovereignty had failed not only in the political-economic realm, but also in the terrain of the imagination. Sovereign debtors shared the cynicism of economists. In the field of diplomacy, Third World complaints were explicitly tied to oil debt. The term "North-South Dialogue" emerged at the May 1977 Conference for

---

[1107] W. Arthur Lewis, "The State of Development Theory," *The American Economic Review* 74: 1 (Mar. 1985): 1. See also Rostow, *Theorists of Economic Growth*, 373-374.

[1108] H. W. Arndt, *The Rise and Fall of Development: A Study in Contemporary Thought* (London: Longman Cheshire, 1978).

[1109] Albert O. Hirschman, *Essays in Traspassing: Economics to Politics and Beyond* (New York: Cambridge University Press, 1981), 1-11.

[1110] Deepak Lal, *The Poverty of "Development Economics"* (London: The Institute of Economic Affairs, 1983).

[1111] Amartya Sen, "Development: Which Way Now?" *The Economic Journal* 93: 372 (Dec. 1983): 745. Much of the attack came from within the field itself. Just as a group of economic theorists and political elites had pegged their economic thought to the coattails of permanent sovereignty in the previous three decades, policymakers and economists helped develop neoliberal diplomacy. In 1981, the development economist P. T. Bauer argued forcefully that "Western responsibility for Third World backwardness" was an unfounded allegation. Far from the having caused Third World poverty, Western investment had been "the principle agent of material progress." According to Bauer, "economic achievement depends on people and their arrangements, not on natural resources." See: P. T. Bauer, *Equality, The Third World and Economic Delusion* (Cambridge, Mass.: Harvard University Press, 1981), 66, 70, 264.

International Economic Cooperation. For many Third World leaders, the "so-called 'Dialogue'" was anything but. The Brazilian delegate held that the negotiations had led "to a low common denominator."[1112] The industrialized countries refused even to consider the Third World's primary objective, official financial assistance to bridge oil-related payments problems. The North also declined to discuss other measures of adjustment aid for the South, emphasizing instead the private capital market. The developing nations jointly noted with regret the failure of "most of the proposals for structural changes in the international economic system."[1113]

The new U.S. Secretary of State, Cyrus Vance, emphasized that private capital was "vital, and will continue to offer even greater resources over a wider range of activities than official aid."[1114] Ronald Muller, an economist at American University, disagreed with Vance after observing the conference. Muller proposed the enactment of a new Witteveen facility. Official aid for Third World nations would "allow the IMF to expand its lending capacity for refinancing the debt of nation-states now owed primarily to private multinational commercial banks," he told a Senate committee. Muller nonetheless remained as skeptical as his colleagues. A new International Monetary Fund program would do little to break "the vicious circle of LDC debt." If oil prices remained high, official aid would be "no more than an austerity band-aid."[1115]

1112 CIEC, Statement by Antonio Francisco Azeredo da Silveira, May 31, 1977, MS. Eng. c. 5825, Dell Papers, BLSC.
1113 Report of the Conference on International Economic Cooperation, June 2, 1977, MS. Eng. c. 5825, Dell Papers, BLSC.
1114 CIEC, Address by Secretary of State Cyrus Vance, May 30, 1977, MS. Eng. c. 5825, Dell Papers, BLSC. Even so, despite its evident weakness in practice, the ideas of permanent sovereignty would continue to play a role by defining the origins of widespread appeals to economic justice in the increasingly globalized international political economy. Increasingly, the adherents to permanent sovereignty and critics of the free market turned to more viable acts of economic justice. Still, these movements were a weak substitute for the egalitarian dreams of the NIEO.
1115 Ronald E. Muller, Testimony for the Senate Committee on Banking, Housing, and Urban Affairs, "The Proposed IMF Witteveen Facility in Light of Faltering U.S. and World Economic Recovery," October 13, 1977, MS. Eng. c. 5827, Dell Papers, BLSC.

The growth of sovereign debt in the poorer nations also troubled the Development Committee of the World Bank, especially because the bulk of new financing was concentrated in private loans rather than direct investment or official aid. Both the Bank and the International Monetary Fund made strong pleas for increased flows of official capital in 1975. The outlook for the poorest countries was "particularly bleak," Robert McNamara told his officials. In a meeting of the Joint Ministerial Committee of the Bank and the Fund, H. Johannes Witteveen endorsed the position that "substantial increases in capital flows" were necessary to prevent "the continued detrioration of the position of most of the developing countries." The Joint Ministers emphasized that low-income countries needed official, concessional assistance.[1116]

Under such circumstances, the inability of permanent sovereignty to reform the international economy in the grandiose manner envisioned by Raúl Prebisch and his followers was patently obvious. Prebisch himself grimly noted the gravity of the situation for most Third World Nations. Private petrodollar recycling had "political meaning" because almost all the investment would move from the oil producers to banks in developed countries, he wrote the UN Secretary General.[1117]

The energy crisis had begun with the emergence of a post-colonial economic worldview in the early 1950s. The new interpretation held that the potential for development in the majority of the world continued to be strangled by unfair terms of trade. Economic inequality had been perpetuated by the corporatism of the postwar petroleum order. But, as the oil producers employed permanent sovereignty, economic

[1116] Robert McNamara's Opening Statement to Development Committee, June 12, 1975, Robert S. McNamara Papers, I: 23, LOC; Press Communique, Draft, June 12, 1975, Robert S. McNamara Papers, I: 23, LOC; Development Committee, "Measures to Facilitate Access to Capital Markets by Developing Countries," May 8, 1975, Robert S. McNamara Papers, I: 23, LOC.
[1117] "UN Interoffice Memorandum, Prebisch to the Secretary General, Recent Financial Discussions in Washington, D.C.," January 21, 1975, MS. Eng. c. 5825, Dell Papers, BLSC.

liberation had unintended consequences for the international economy. In particular, the American emphasis on the private market set the future agenda of globalization, creating a blueprint for the response to future crises.

Severe global imbalances materialized as a result of the energy crisis. The non-oil developing nations confronted unprecedented balance-of-payments deficits, one that would only worsen in the coming years.[1118] Conditions had crystallized for long enough for OPEC and the New International Economic Order to capture the imagination of the Third World, but they began to fracture as soon as they formed. American proposals during the energy crisis were designed as corridors to the free market. Because of American neoliberal diplomacy, most national deficits would be financed by private loans. The idea of permanent sovereignty lost power as the former colonies and other poor states found their independence compromised by a different mechanism: indebtedness to private banks.

Sovereign debt would characterize the place of the Third World in the international political economy. The transition from permanent sovereignty to sovereign debt only takes on its full meaning if set against the context of the energy crisis and the neoliberal diplomacy of the United States.

SOVEREIGN DEBT AND THE LIMITS OF ECONOMISM

However powerful its critique of structural imbalances in the international economy, however clear its call for equality, the moral rhetoric of the New International Economic Order came at a price. If 1974 was perceived by many as a breakthrough year for permanent sovereignty, the period immediately afterwards marked its downfall. The

[1118] A second oil price crisis rocked markets beginning in 1979, owing to the Soviet invasion of Afghanistan and the Iranian Revolution. The price of oil rose 200 percent. OPEC's surplus jumped to $68 billion in 1979 and $115 billion in 1980. The deficit of the non-oil developing countries were estimated $70 billion in 1979.

energy crisis and the collapse of sovereignty opened space for neoliberal diplomacy to determine the future agenda of the international economy. Market-based thought gained influence in the State Department in direct response to the challenges of permanent sovereignty and the energy crisis.

"Attempts to imagine a better future have remained simplistic and schematic," Albert Hirschman wrote in 1982. "Actions undertaken under the impulse of some magnificent vision" could only have limited results.[1119] This position reflected an uncertainty about the relationship between ideas and policy. In the cases of permanent sovereignty and neoliberal diplomacy, economic thought became the basis for policy. It seemed impossible to avoid the ill consequences of over-simplification in that process. The application of economic thought to international politics was, by definition, a form of selective analysis. The rigid economistic way in which the theories were applied to diplomacy displaced the complexity of experience.[1120]

The two intellectual extremes converged in their economistic interpretations. The prescriptions of neoliberal diplomacy did little to improve the dire situation of the Third World. Confronted with a complex challenge that required different responses to different circumstances, neoliberal diplomacy could not respond with the intellectual sophistication and imagination the complexity of the Third World required. Standard-formula approaches made few concessions to Third World heterogeneity and thus handicapped development plans. Likewise, the uneven application of permanent sovereignty had negative consequences for the majority of the adherents to the New International Economic Order.

[1119] Albert O. Hirschman, "Rival Interpretations of Market Society: Civilizing, Destructive or Feeble," Journal of Economic Literature (Dec. 1982): 94-95.
[1120] For a similar analysis, see: Cullather, *The Hungry World*, 45.

But for the energy crisis, an analysis emphasizing economistic thought can only partially explains the relationship between ideas and international politics. The ideas of permanent sovereignty and neoliberal diplomacy were closely connected on a deeper level. Although politicians and policymakers naturally simplified academic ideas, in each case the main arguments of scholars regarding sovereignty remained largely unadulterated.

In fact, the success of neoliberal diplomacy found its base in the irony of permanent sovereignty. Neoliberal diplomacy may have assumed a contrasting relationship between state sovereignty and the international economy, but it shared the basic notion of state power. American policy maintained sovereignty as a key concept, while delineating clear limits to its practice. "Sovereign debt," not permanent sovereignty, became the common invocation in discussions about international development. The linguistic change effectively placed sovereignty at the service of private finance. The erosion of permanent sovereignty did not involve the official downgrading of sovereignty as a cherished value. In its new usage, sovereignty was folded into a new code that corresponded to different interests.

By supporting a robust internationalist version of neoliberal diplomacy, the U.S. government emphasized the limits the formal legal entitlement of statehood. The economic restrictions placed on sovereignty implied a mutual responsibility between the member states of the global society and the arbiters of the international economy. Neoliberal diplomacy thus used the post-colonial norm of sovereignty to connect global governance directly to free-market thought. The emphasis by American poliymakers on privately owned sovereign debt made national borders more permeable to capital.

The flow of capital followed the flow of ideas. The process of transition from permanent sovereignty to sovereign debt was not the simple replacement of one international agenda with another. Rather, the ebb and flow of ideas more closely resembled waves washing over each other. Neoliberal diplomacy was as much the accumulation of sedimentary layers from the recent past as it was a new construction. To put the matter starkly, the United States employed neoliberal diplomacy to turn the problem of sovereignty to its advantage, accentuating the nation's paramount position in international finance.

The United States and the less-developed countries disagreed in their approach to the energy crisis. Whereas advocates of neoliberal diplomacy depicted the international problem of poverty as a technical economic issue, proponents of permanent sovereignty saw development as a broader redress for past inequalities. Steeped in an egalitarian interpretation, permanent sovereignty had sought to forge a moral link between international politics and economics. Neoliberal diplomacy effectively erased the moral content of the economic question from international politics. The tension between economics and politics was thus indicative of a deeper conflict between morality and amorality, one that lies at the heart of the history of globalization. The early movement towards neoliberal diplomacy in 1974 and 1975 resulted in large part to its reactionary stance against permanent sovereignty. For this reason, neoliberal diplomacy omitted the primary concern of Third World economists, diplomats, and national leaders since Prebisch first published his thesis. The long-standing inequality of the Third World, a vestige of imperialism, continued through the assertion by the United States of the free market as the guiding principal for the international political economy.

The irony of permanent sovereignty thus had profound moral implications. Neliberal diplomacy was never constructed with the developing world in mind. It was conceived, designed, and practiced with one primary goal: the perpetuation of the global power of the United States in a period in which that power was increasingly questioned.

By placing free market norms at the heart of globalization, American diplomacy also confirmed the United States as the enforcer of those norms.

LESSONS OF THE ENERGY CRISIS?

For Henry Kissinger, the morale was simple. He wrote in 1979 that the calculus of power central to his geopolitics "required an integrating, conceptual framework."[1121] In 1982, he founded Kissinger and Associates, whose mission built on his revelation during the energy crisis of the nexus between international politics and economics. Kissinger described the goals of the company to Robert McNamara, who he recruited as a colleague. "The increasing interdependence of economic and political developments has created unprecedented problems of strategic choice for corporate and institutional policymakers," he wrote. "The decisive issues for international affairs today, not only public but private, are at the intersections of economics and politics, and of national and international policy." The synthesis of "ideas and knowledge," Kissinger envisioned, would allow his clients to work "in a way which is global in scope and concept, rather than piecemeal or departmental."[1122]

In the nascent days of globalist euphoria, Kissinger followed up on the political-economic ideas of Kissinger & Associates in *Newsweek*. As he did as Secretary of State, he pointed to the energy crisis as the central turning point. The "idyll" of post-war economic growth had ended "above all" because of the "nearly twentyfold increase in oil prices since 1973." The article employed apocalyptic language to describe the practice of permanent sovereignty by OPEC: "these events have shaken the economic and political foundations of the post-war political and economic order." Kissinger was more

---

[1121] Henry Kissinger, *White House Years* (London: Weidenfield and Nicolson, 1979), 130.

[1122] Letter, Kissinger to McNamara, May 21, 1982, Robert S. McNamara Papers, I: 2, Manuscripts Division, LOC.

concerned however with the ability of national power to shape international affairs. "The real question is how governments can establish confidence in their ability to dominate events," he wrote.[1123]

The relationship between permanent sovereignty and neoliberal diplomacy forces more sober and less ambiguous conclusions. What place do concepts like "economic justice" and "equality" have in modern international society? The terms of trade thesis supported profound changes in the structure of the international economy, but permanent sovereignty did not actually lead to those changes. The intended effects of permanent sovereignty, a redistribution of power in the international economy, were clearly important in the actions called for on a massive scale during the energy crisis. The irony of permanent sovereignty, so evident in its easy replacement by neoliberal diplomacy, was a real departure from those hopes. By 1976 permanent sovereignty was subordinated to international finance and free market thought. In the era of expensive oil, sovereign debt became an intrusive violation of autonomy for Third World nations.[1124]

The success of OPEC was transient. The oil-importing nations of the Third World were the major victims of the energy crisis. After 1974, the relative position of the Third World worsened steadily. To understand why this occurred, the influence of what Hirschman called "intended, but unrealized effects" are as important as the historians' more common fascination with F. A. Hayek's "unintended consequences."[1125] As

---

[1123] Draft attached to Letter, Williams to McNamara, December 20, 1982, Robert S. McNamara Papers, I: 2, Manuscripts Division, LOC.

[1124] Most scholars follow the argument that "the more intrusive violations of autonomy" associated with sovereign loans and conditionality "ocurred only after the collapse of the Soviet Union." See: Stephen Krasner, *Sovereignty: Organized Hypocrisy* (Princeton, N.J.: Princeton University Press, 1999), 150-151; Thomas Biersteker and Cynthia Weber, eds., *State Sovereignty as a Social Construct* (Cambridge: Cambridge University Press, 1996).

[1125] Amartya Sen, "Foreward," in Albert O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*, 20th ann. ed. (Princeton: Princeton University Press, 1997 [1977]), xvii.

unsustainable debt began to dominate the international development agenda, the concept of global justice inherent to permanent sovereignty ran into serious difficulties. In 1981, the administration of Ronald Reagan began to emphasize "supply-side foreign policy." Building on the roots of neoliberal diplomacy, the administration stressed market-based solutions and private investment.

By the 1990s, the neoliberal basis of globalization was widely accepted. The National Security Adviser to President Clinton, Anthony Lake, explicitly linked American power to "market economics" in a 1993 speech entitled "From Containment to Enlargement." Lake was incorrect, however, in stating that the "virtuous circles of international economic action" had brought about "new and diverse" pathways for American influence.[1126] There was little novel about this. The speech shared the goals of neoliberal diplomacy held by American administrations since the energy crisis.

[1126] Department of State *Bulletin*, September 21, 1993.

Bibliography

Primary Sources

Government Archives

United States National Archives, College Park, Maryland

RG 59: Papers of the Department of State

Bureau of Near Eastern and South Asian Affairs, Records Relating to Iraq, 1973-1975
Central Foreign Policy Files, 1967-1969
Central Foreign Policy Files, 1970-1973
Central Foreign Policy Files, 1973-1976
Policy Planning Council, Director's Files, 1969-1977

RG 56: General Records of the Department of the Treasury

Records of Secretary of the Treasury George P. Shultz, 1971-1974
Office of the Secretary, Executive Secretariat, Memorandums and Correspondence, 1971-1976

RG 353: Papers of Interdepartmental and Intradepartmental Committees

The Lyndon Baines Johnson Presidential Library, Austin, TX

National Security File
White House Central Files

The Richard Nixon Presidential Library

Henry Alfred Kissinger, Telephone Conversation Transcripts
National Security File
White House Central Files
White House Special Files: President's Office File
Papers of Herbert Stein
Institutional Files (H-Files)

The Gerald Ford Presidential Library, Ann Arbor, MI

Alan Greenspan Files
Arthur F. Burns Handwritten Journal, Transcript
National Security Adviser's Memoranda of Conversation Collection
Papers of Herbert Stein
Kissinger-Scowcroft West Wing Office Files
Papers of the Council of Economic Advisers
William Seidman Papers

National Archives of the United Kingdom

CAB 197: Cabinet Office: Chancellor of the Duchy of Lancaster: Registered Files
FCO 67: Records of the Foreign and Commonwealth Office, Commodities and Oil Department and Successors
FCO 96: Records of the Foreign and Commonwealth Office, Energy Department
PREM 13: Prime Minister's Office: Correspondence and Papers, 1964-1970
PREM 15: Correspondence and Papers of the Prime Minister, 1970-1974
PREM 16: Prime Minister's Office: Correspondence and Papers, 1974-1979
T 354: Treasury: Overseas Finance Group: Finance (International Monetary) Division

Personal Papers/Manuscript Collections

The ExxonMobil Historical Collection, Dolph Briscoe Center for American History, The University of Texas at Austin.

The Foreign Affairs Oral History Collection, Library of Congress, Manuscripts Division, Washington, D.C.

The Papers of Daniel Patrick Moynihan, Library of Congress, Manuscripts Division, Washington, D.C.,

The Papers of Robert S. McNamara, Library of Congress, Manuscripts Division, Washington, D.C.,

The Sydney Dell Papers, Bodleian Library Special Collections, Oxford University, Oxford, England.

The Working Papers of Raul Prebisch, Nettie Lee Benson Library, Austin, Texas.

Archives of International Institutions

The Archives of the Organization for Economic Cooperation and Development, Paris, France.

Microfilm Collection

North-South Group
Oil Committee

Microfiche Collection

The Archives of the International Monetary Fund, Washington, D.C.

Country Reports
Executive Board Meeting Minutes
Records and Reports of the Oil Facility, 1974-1977
World Reports

United Nations Repository, Perry-Castañeda Library, Austin, Texas

Conference on Trade and Development: Official Records
Economic and Social Council: Official Records
General Assembly: Official Verbatim Records
Office of Public Information Records
Security Council: Official Records
United Nations Conference on the Law of the Sea: Official Records, 1958
United Nations World Population Conference, 1965: Official Records

Digital Collections

The American Presidency Project, John T. Wooley and Gerhard Peters, eds.

The Cold War International History Project

Declassified Document Reference Services

The Digital National Security Archive

Iran-Contra
Kissinger Transcripts
Presidential Directives
The Iran Revolution

U.S. Department of State Electronic Reading Room

Freedom of Information Act Released Documents
Electronic Telegrams, 1973-1976

U.S. Department of State, Historian's Office. *Foreign Relations of the United States* (Washington: Government Printing Office, multiple years)

1952-1954 Vol. I, Part II. *General Economic and Political Matters*

1958–1960 Vol. IV. *Foreign Economic Policy*

1964-1968 Vol. XII. *Western Europe*
Vol. XX. *Arab-Israeli Dispute, 1967-68*
Vol. XXI. *Near East Region: Arabian Peninsula*
Vol. XXII. *Iran*
Vol. XXXI. *South and Central America; Mexico*
Vol. XXXIV. *Energy Diplomacy and Global Issues*

1969-1976 Vol. III. *Foreign Economic Policy: International Monetary Policy, 1969–1972*
Vol. XXIV. *Middle East Region and Arabian Peninsula, 1969–1972; Jordan, September 1970*
Vol. XXXI. *Foreign Economic Policy, 1973-1976*
Vol. XXXVI. *The Energy Crisis, 1969-1974*
Vol. E-5, Part 1. *Documents on Iraq and Iran, 1969-1972*
Vol. E-5, Part 2. *Documents on North Africa, 1969-1972*

Published Primary Sources

Department of Treasury News, Remarks by the Honorable William E. Simon, Secretary of the Treasury, Before the Independent Petroleum Association, October 28, 1974

Ford Foundation, *A Time to Choose: America's Energy Future: A Final Report*.
Cambridge, Mass.: Ballinger, 1974.

Geyer, David C. and Douglas E. Selvage, eds., *Soviet American Relations: The Détente Years, 1969-1972*. Washington, D.C.: G.P.O., 2007.

League of Nations, *Industrialization and Foreign Trade*. Geneva: League of Nations, 1945.

The Arab World, Special Issue: Arab Oil, First Arab Petroleum Congress, Vol. V, May-June 1959 (New York: Arab Information Center)

Schroeder, Barbet, dir. *General Idi Amin: Self Portrait*, 1974.

U.S. Congress, Senate. *Financial Support Fund Act*, Hearings before the Senate Committee on Banking, Housing and Urban Affairs. Washington, June 4, 1976.
U.S. Congress, Senate, Select Committee on Small Business, *The International Petroleum Cartel: Staff Report to the Federal Trade Commission*. Washington, DC: US Government Printing Office, 1952.
U.S. Congress, Senate, Special Committee Investigating the National Defense Program, *Petroleum Arrangements with Saudi Arabia, Part 41, Hearings before a Special Committee Investigating the National Defense Program*, 80th Congress, First Session, 1948.
U.S. Congress, Senate, *The Witteveen Facility and the OPEC Financial Surpluses*, Hearings before the Subcommittee on Foreign Economic Policy of the Senate Committee on Foreign Relations. Washington, D. C.: September and October 1977.
U.S. Congress. House. "Federal Response to OPEC Country Investments in the United States," Hearings before the Subcommittee on the House Committee on Government Operations, 97th Congress, 1st Session, 1981.
U.S. Congress. Senate. Hearings before the Subcommittee on Multinational Corporations of the Senate Committee on Foreign Relations, July-October 1975, 94th Congress, 1st Session.
U.S. Congress. House. Committee on Banking and Currency, Ad Hoc Committee on the Domestic and International Monetary Effect of Energy and Other Natural Resource Pricing, "Petrodollars: Recycling and Aid Prospects," 93rd Congress, 2nd session, December 12, 1974.
U.S. Department of State. *Bulletin*. Washington, D.C.: GPO, 1960-1993.
U.S. Department of the Treasury. *Department of Treasury News*. Remarks by the Honorable William E. Simon, Secretary of the Treasury, Before the Independent Petroleum Association, October 28, 1974.
U.S. Federal Trade Commission, *The International Petroleum Cartel*, FTC Staff Report Submitted to the Subcommittee on Monopoly of the Select Committee on Small Business, U. S. Senate, 82nd Cong., 2nd Sess., Washington, 1952.
United Nations, *Relative Prices of Exports and Imports of Under-developed Countries*. New York: UN, 1949.
United Nations. *Yearbook*. New York: United Nations, Multiple Years.

Periodicals

The American Journal of International Law
The Economist
El Trimestre Económico
Foreign Affairs
Foreign Policy
IMF Survey

Middle East Economic Digest
Middle East Economic Survey
MERIP Reports
New York Times
Newsweek
OPEC Review
Oil & Gas Journal
Petroleum Press Service
Petroleum Intelligence Weekly
Petroleum Week
Petroleum: Journal of the European Oil Industry
Times of London
Washington Post
World Petroleum
World Politics
World Financial Markets

Memoirs / Diaries / Phone Conversations

Alam, Asadollah. *The Shah and I: The Confidential Diary of Iran's Royal Court, 1969-1977*. New York: St. Martin's, 1991.

Ball, George W. *The Past Has Another Pattern: Memoirs.* New York: W.W. Norton, 1982.

Dam, Kenneth and George P. Shultz. *Economic Policy behind the Headlines*. New York: W.W. Norton, 1978.

Eddy, William A. *FDR Meets Ibn Saud*. New York: American Friends of the Middle East, 1954.

Eveland, Wilbur Crane. *Ropes of Sand: America's Failure in the Middle East*. New York: Norton, 1980.

Farmanfarmaian, Manucher, and Roxanne Farmanfarmaian. *Blood and Oil: A Prince's Memoir of Iran, from the Shah to the Ayatollah*. New York: Random House, 2005.

Ferrell, Robert H., ed. *Inside the Nixon Administration: The Secret Diary of Arthur Burns*. Lawrence: University Press of Kansas, 2010.

Ford, Gerald. *A Time to Heal: The Autobiography of Gerald R. Ford*. New York: Harper & Row, 1979.

Greenspan, Alan. *The Age of Turbulence*. New York: Penguin, 2008.

Hart, Parker T. *Saudi Arabia and the United States: Birth of a Security Partnership*. Bloomington: Indiana University Press, 1998.

Hartmann, Robert T. *Palace Politics: An Inside Account of the Ford Years*. New York: McGraw-Hill, 1980.

Healey, Dennis. *Time of My Life.* New York: Norton, 1989.

Israelyan, Victor. *Inside the Kremlin during the Yom Kippur War*. College Park: Pennsylvania State University Press, 1995.
Kissinger, Henry A. *White House Years*. Boston: Little, Brown, 1979.
----. *Years of Upheaval*. Boston: Little, Brown, 1982.
----. *Years of Renewal*. New York: Touchstone, 2000.
Kutler, Staley I. *Abuse of Power: The New Nixon Tapes*. New York: Free Press, 1997.
Nixon, Richard. *RN: The Memoirs of Richard Nixon*. New York: Grosset & Dunlap, 1978.
Pahlavi, Mohammad Reza. *Answer to History*. New York: Stein & Day, 1980.
Parsons, Anthony. *The Pride and the Fall: Iran 1974-1979*. London: Jonathan Cape, 1984.
Rockefeller, David. *Memoirs*. New York: Random House, 2002.
Shawcross, William. *The Shah's Last Ride: The Fate of an Ally*. New York: Simon & Schuster, 1988.
Wilson, Harold. *Final Term: The Labour Government, 1974-1976*. London: Michael Joseph, 1979.
Wriston, Walter B. *Risk and Other Four Letter Words*. New York: HarperCollins, 1987.
Faber, Mike, and Roland Brown. "Changing the Rules of the Game: Political Risk, Instability and Fairplay in Mineral Concession Contracts," *Third World Quarterly* 2: 1 (1980): 100-119.

Secondary Sources

Unpublished Theses, Papers

Dobe, Michael E. A Long Slow Tutelage in Western Ways of Work: Industrial Education and the Containment of Nationalism in Anglo-Iranian and Aramco, 1928-1963. Ph.D., Rutgers University, 2008.
Friedman, Jeremy Scott. Reviving Revolution: The Sino-Soviet Split, the 'Third World," and the Fate of the Left. PhD, Princeton University, 2011.
Klieman, Kairn. "U.S. Oil Companies, the Lend-Lease Program, and American Diplomacy in Africa, 1940-45," Rice University Humanities Research Center, 2011.
Matera, Marc. Black Internationalism and African and Caribbean Intellectuals in London, 1919 – 50. PhD, Rutgers University, 2008.
Sargent, Daniel. From Internationalism to Globalism: The United States and the Transformation of International Politics in the 1970s. PhD, Harvard University, 2009.
Selcer, Perrin. Patterns of Science: Developing Knowledge for a World Community at Unesco. PhD, University of Pennsylvania, 2011.
Sharma, Patrick Allan. The Road to Structural Adjustment: Changing Norms of Development at Robert McNamara's World Bank, 1968-1981. PhD. University of California at Los Angeles, 2010.

Walker, Matthew. The Lost Art of Interdependency: Unitd Nations Leadership in the Suez Crisis of 1956 and its Ramifications in World Affairs. PhD, University of Nebraska-Lincoln, 2010.

Wadojo, Kifle. Ethiopia's Treaty Relations with Britain, France and Italy, 1884-1914. M.A., University of Wisconsin, 1959.

Wolfe-Hunnicut, Brandon. The End of the Concessionary Regime: Oil and American Power in Iraq, 1958-1972. Stanford University, Ph.D., 2011.

Ulrichsen, Kristian Coates, "The Gulf States and South-South Cooperation, 1961-1990: Contradictions and Commonalities." Annual Conference of the British Society for Middle Eastern Studies, March 2012.

Articles, Published Papers

Abdelrehim, Neveen, Josephine Maltby, and Steven Toms. "Corporate Social Responsibility and Corporate Control: The Anglo-Iranian Oil Company, 1933–1951," *Enterprise and Society* 12: 4 (2011): 824-862.

Abdi, Kamyar. "From Pan-Arabism to Saddam Hussein's Cult of Personality: Ancient Mesopotamia and Iraqi National Ideology," *Journal of Social Archaeology* 8: 1 (Feb. 2008.

Abrahamian, Ervand. "The 1953 Coup in Iran." *Science and Society* 65: 2 (Summer 2001).

Adelman, Maurice. "The Real Oil Problem," *Regulation* 27: 1 (Spring 2004): 16-21.

Alvandi, Roham. "Muhammad Reza Pahlavi and the Bahrain Question, 1968–1970," *British Journal of Middle Eastern Studies* 27: 2 (2010): 159-177.

----. "Nixon, Kissinger, and the Shah: The Origins of Iranian Primacy in the Persian Gulf," *Diplomatic History* 36:2 (April 2012): 337-372;

Anderson, Irvine. "Lend-Lease for Saudi Arabia: A Comment on Alternative Conceptualizations," *Diplomatic History* 3 (Fall 1979): 413-423.

Asen, Robery. "Ideology, Materiality, and Counterpublicity: William E. Simon and the Rise of a Conservative Counterintelligentsia," *Quarterly Journal of Speech* 95:3 (Aug. 2009): 263-288.

Azzam, Issam. The Organization of Petroleum Exporting Countries (OPEC)," *The American Journal of International Law* 57: 1 (Jan. 1963): 112-114.

Bacha, Edmar. "An Interpretation of Unequal Exchange from Prebisch-Singer to Emmanuel," *Journal of Development Economics* 5 (1978): 319-329.

Backhouse, Roger E. "The Rise of Free Market Economics: Economists and the Role of the State since 1970," *History of Political Economy* 37 (2005): 355-392.

Baldwin, Robert E. "Secular Movements in the Terms of Trade," *The American Economic Review* 45: 2 (May, 1955), 259-269.

Bar-Joseph, Uri. "Last Chance to Avoid War: Sadat's Peace Initiative of February 1973 and its Failure," *Journal of Contemporary History* 41:3 (July 2006), 545-556.

Barraz, Pierre. "The Legal Status of Oil Concessions," *Journal of Trade Law* 5: 6 (1971)

Barsky, Robert and Lutz Kilian. "Oil and the Macroeconomy since the 1970s," Discussion Paper No. 4496, Centre for Economic Policy Research. London, July 2004.

Bayly, C. A. Sven Beckert, Matthew Connelly, Isabel Hofmeyer, Wendy Kozol and Patricia Seed, "AHR Conversation: On Transnational History," *The American Historical Review* 111: 5 (December 2006): 1441-1464.

Beck, Peter J. "The Lessons of Abadan and Suez for British Foreign Policymakers in the 1960s," *The Historical Journal* 49: 2 (2006): 525-547.

Beckerman, Wilfred. "The Economist as a Modern Missionary," *The Economic Journal* 66: 261 (Mar. 1956): 108-115.

Berger, Mark T. "After the Third World? History, Destiny and the Fate of Third Worldism," *Third World Quarterly*, 25: 1 (2004): 9-39.

Bernanke, Ben S., Mark Gertler, and Mark Watson. "Systematic Monetary Policy and the Effects of Oil Price Shocks," C.V. Starr Center for Applied Economics, New York University, Economic Research Report 97-25, June 1997.

Bhagwati, Jagdish. "The Global Age: From a Sceptical South to a Fearful North," *The World Economy* 20: 3 (May 1997): 259-273.

Block, Fred. "Political Choice and the Multiple 'Logics' of Capital," *Theory and Society* 15: 1/2 (Jan. 1986): 175-192.

Bohle, Dorothee and Béla Greskovits. "Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe," *West European Politics* 30: 3 (2007).

Brands, H. W. "The Cairo-Teheran Connection in Anglo-American Rivalry in the Middle East, 1951-1953." *International History Review* 11 (August 1989): 434-456.

Brands, Hal. "Economic Development and the Contours of U.S. Foreign Policy: The Nixon Administration's Approach to Latin America, 1969-1974," *Peace and Change* 33: 2 (2008): 243-273.

----. "Third World Politics in an Age of Global Turmoil: The Latin American Challenge to U.S. and Western Hegemony," *Diplomatic History* 32: 1 (Jan. 2008).

Brown, Michael E. "The Nationalization of the Iraqi Petroleum Company," *International Journal of Middle East Studies* 10: 1 (1979).

Brown, Seyom. "The New Legitimacy," *International Journal* 31: 1 (Winter 1975/1976): 14-25.

Byrne, Jeffrey. "Our Own Special Brand of Socialism: Algeria and the Contest of Modernities in the 1960s," *Diplomatic Histor*y 33:3 (2009): 427-447.

Caine, Barbara. "Writing Cosmopolitan Lives: Joseph and Kwame Anthony Appiah," *History Workshop Journal* 70: 1 (2010): 152-171.

Castañeda, Jorge. "Revolution and Foreign Policy: Mexico's Experience," *Political Science Quarterly* 78: 3 (Sep. 1963): 391-417.

Chenery, Hollis B. "Comparative Advantage and Development Policy," *The American Economic Review* 51: 1 (1961): 18-51.

Citino, Nathan J. “Defending the ‘Postwar Petroleum Order’: The US, Britain, and the 1954 Saudi-Onassis Tanker Deal.” *Diplomacy and Statecraft* 11 (July 2000): 137-160.

----. “The ‘Crush’ of Ideologies: The United States, the Arab World, and Cold War Modernisation,” *Cold War History* (2011): 1-22.

----. “Internationalist Oilmen, the Middle East, and the Remaking of American Liberalism, 1945–1953,” *Business History Review* 84: 2 (2010): 227-251.

Clement, Christopher I. “Organic Intellectuals and the Discourse on Democracy: Academia, Foreign Policy Makers, and Third World Intervention,” *New Political Science* 25: 3 (2003): 351-364.

Collins, Robert M. “The Economic Crisis of 1968 and the Waning of the ‘American Century,’” *American Historical Review* 101: 2 (April 1996): 396-422.

Connelly, Matthew. “Taking off the Cold War Lens: Visions of North-South Conflict during the Algerian War for Independence,” *The American Historical Review* 105: 3 (June 2000): 739-769

Cooper, Frederick. ‘What is the concept of globalization good for? An African historian’s perspective’, *African Affairs* 100 (2001): 189–213.

Cormac, Rory. “Coordinating Covert Action: The Case of the Yemen Civil War and the South Arabian Insurgency,” *Journal of Strategic Studies* (April 2012).

Cullather, Nick. “Damming Afghanistan: Modernization in a Buffer State,” *The Journal of American History* 89: 2 (2002): 512-537

----. “Development? It’s History,” *Diplomatic History* 24: 4 (Fall 2000): 641-653

Culpeper, Roy. “Regional Development Banks: Exploiting Their Specificity,” *Third World Quarterly* 15: 3 (1994): 459-482.

Cutler, Tom. “Recycling Petrodollars to the Third World: A Critique of the IMF Oil Facility, *World Affairs* 39: 3 (Winter 1976/1977): 189-205.

Dahl, Robert. “The Concept of Power,” *Behavioral Science* 2:3 (July 1957): 201-215.

Davis, Simon. “‘A Projected New Trusteeship’? American Internationalism, British Imperialism, and the Reconstruction of Iran, 1938–1947,” *Diplomacy & Statecraft* 17: 1 (2006): 31-72.

DeNovo, John A. “The Movement for an Aggressive American Oil Policy Abroad, 1918-1920,” *American Historical Review* (July 1956): 854-876.

de Vries, Rimmer. “The Build-up of OPEC Funds,” *World Financial Markets*. Morgan Guaranty Trust, September 23, 1974.

Dietrich, Christopher R. W. “A Climate of Collaboration” The Rhodesian Oil Embargo and Portuguese Diplomacy in Southern Africa, 1965–1967,” *Itinerario* 35 (2011): 97-120.

----. “‘Arab Oil Belongs to the Arabs’: Natural Resource Sovereignty, Cold War Boundaries, and the Nationalization of the Iraq Petroleum Company, 1967-1972,”*Diplomacy and Statecraft* 22: 3 (September 2011): 450-479.

Dirlik, Arif. “The Postcolonial Aura: Third World Criticism in the Age of Global Capitalism,” *Critical Inquiry* 20 (1994): 328-356.

Dutt, Nitish. "The US and the Asian Development Bank: Origins, Structure and Lending Operations," *Journal of Contemporary Asia* 31: 2 (2001): 241-261.

Eckert, Andreas, Stephan Malinowski, and Corinna Unger, eds. *Journal of Modern European History*, Special Issue on "Modernizing Missions: Approaches to 'Developing' the Non-Western World after 1945," 8: 1 (2010).

Emerson, Rupert. "The Fate of Human Rights in the Third World," *World Politics* 27: 2 (January 1975): 201-226.

Engerman, David C. "The Romance of Development and New Histories of the Cold War," *Diplomatic History* 28: 1 (January 2004).

---- and Corinna Unger, "Toward a Global History of Modernization," *Diplomatic Histor*y 33:3 (2009): 375-385.

----. "American Knowledge and Global Power," *Diplomatic History* 31: 4 (Sept. 2007): 599–622.

Evans, David. "International Commodity Policy: UNCTAD and NIEO in Search of a Rationale," *World Development* 7 (1979): 259-279.

Fain, W. Taylor. "'Unfortunate Arabia': The United States, Great Britain and Yemen, 1955–63," *Diplomacy & Statecraft* 12: 2 (2001): 125-152.

----. "Efficient Capital Markets: A Review of Theory and Empirical Work," *The Journal of Finance* 25: 2 (May 1970): 383-417.

Fama, Eugene F. and Arthur Laffer, "Information and Capital Markets," *The Journal of Business* 44: 3 (July 1971): 289-298.

Farmanfarma, Abolbashar. "The Oil Agreement Between Iran and the International Oil Consortium: the Law Controlling," *Texas Law Review* 34: 2 (December, 1955): 259-287.

Fenwick, Charles G. "The Order of the International Court of Justice in the Anglo-Iranian Oil Company Case," *The American Journal of International Law* 45: 4 (Oct. 1951): 723-727.

Ferguson, James. "Seeing Like an Oil Company: Space, Security, and Global Capital in Neoliberal Africa," *American Anthropologist* 107:3 (2005).

Fitzgerald, Edward P. "The Iraq Petroleum Company, Standard Oil of California, and the Contest for Eastern Arabia, 1930-1933." *International History Review* 13 (August 1991): 441-465.

Fitzgibbon, Russell H. "The Process of Constitution Making in Latin America," *Comparative Studies in Society and History* 3: 1 (Oct. 1960): 1-11.

Franzén, Johan. "Development vs. Reform: Attempts at Modernisation during the Twilight of British Influence in Iraq, 1946-1958," *The Journal of Imperial and Commonwealth History* 37: 1 (2009): 77-98.

Fraser, Cary. "Understanding American Policy towards the Decolonization of European Empires, 1945–64," *Diplomacy & Statecraft* 3: 1 (1992): 105-125.

Friedrich, Carl. "The Political Thought of Neoliberalism," *American Political Science Review* 49 (1955), 509-525.

Galbraith, John K. "Power and the Useful Economist," *American Economic Review* 63 (1973).

Gallagher John, and Ronald Robinson. "The Imperialism of Free Trade," *The Economic History Review*, 2nd series 6: 1 (1953).
Galtung, Johan. "A Structural Theory of Imperialism," *Journal of Peace Research* 8: 2 (1971): 81-117.
Garavini, Giuliano. "Completing Decolonization: The 1973 'Oil Shock' and the Struggle for Economic Rights," *International History Review* 33: 3 (Sept. 2011): 473–487
Gasiorowski, Mark. "The 1953 *Coup D'Etat* in Iran," *International Journal of Middle East Studies* 19: 3 (Aug. 1987): 261-286.
Gavin, Francis J. "Politics, Power, and U.S. Policy in Iran," *Journal of Cold War Studies* 1: 1 (Winter 2001): 56-89.
Gerges, Fawaz A. "The Kennedy Administration and the Egyptian-Saudi Conflict in Yemen: Co-Opting Arab Nationalism," *Middle East Journal* 49: 2 (Spring 1995): 292-311.
Gerke, Gerwin. "The Iraq Development Board and British Policy, 1945-1950." *Middle Eastern Studies* 27 (April 1992): 231-255.
Gess, Karol. "Permanent Sovereignty over Natural Resources," *International and Comparative Law Quarterly* 13 (1964).
Ginor, Isabel and Gideon Remez, "The Tyranny of Vested-Interest Sources: Shaping the Record of Soviet Intervention in the Egyptian-Israeli Conflict, 1967–1973," *The Journal of Middle East and Africa* 1: 1 (2010): 43-66.
Gismondi, Mark. "Tragedy, Realism, and Postmodernity: Kulturpessimismus in the Theories of Max Weber, E.H. Carr, Hans J. Morgenthau, and Henry Kissinger," *Diplomacy & Statecraft* 15: 3 (2004): 435-464.
Goodman, Bernard. "The Political Economy of Private International Investment," *Economic Development and Cultural Change* 5: 3 (April 1957): 263-276.
Gore, Charles. "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries," *World Development* 28: 5 (May 2000): 789-804.
Gormly, James L. "Keeping the Door Open in Saudi Arabia: The United States and the Dhahran Airfield, 1945-1956." *Diplomatic History* 4 (Spring 1980): 189-205.
Gosovic, Branislav, and John Gerard Ruggie. "On the Creation of a New International Economic Order: Issue Linkage and the Seventh Special Session of the UN General Assembly," *International Organization* 30 (Spring 1976), 309-345.
Griffith, Robert. "Eisenhower and the Corporate Commonwealth," *American Historical Review* 87 (February 1982): 87-122.
Gruhn, Isebill V. "The Lomé Convention: Inching Toward Interdependence," *International Organization* 30 (Spring 1976).
Gurrieri, Adolfo. "The Ideas of the Young Prebisch," *CEPAL Review* 75 (December 2001): 67-80.
Haas, Michael. "The Asian Development Bank," *International Organization* 28: 2 (March 1974): 281-296.
Haberler, Gottfried. "Integration and Growth of the World Economy in Historical Perspective," *The American Economic Review* 54: 2, Part 1 (Mar. 1964), 1-22

Hahn, Peter L. "Containment and Egyptian Nationalism: The Unsuccessful Effort to Establish the Middle East Command, 1950-53." *Diplomatic History* 11 (Winter 1987): 23-40.

Hanhimäki, Jussi M. "'Dr. Kissinger' or 'Mr. Henry'? Kissingerology, Thirty Years and Counting," *Diplomatic History* 27: 5 (Nov. 2003): 637-676.

Hallwood, Paul and Stuart Sinclair. "The Non-oil Developing Countries and OPEC: Coalition or Conflict?" *Intereconomics* 19: 6 (1984): 290-296.

Hanhimäki, Jussi M. "'Dr. Kissinger' or 'Mr. Henry'? Kissingerology, Thirty Years and Counting," *Diplomatic History* 27:5 (Nov. 2003): 637-676.

Hartshorn, J. E. "OPEC and the Development of Fourth World Oil," *Millenium: Journal of International Studies* 6: 2 (Sept. 1977): 162-174.

Hayward, Joel. "Hitler's Quest for Oil: The Impact of Economic Considerations on Military Strategy, 1941–42," *Journal of Strategic Studies* 18: 4 (1995): 94-135.

Heilbron, Johan, Nicolas Guilhot, and Laurent Jeanpierre, "Toward a Transnational History of the Social Sciences," *Journal of the History of the Behavioral Sciences* 44: 2 (Spring 2008): 146-160.

Heiss, Mary Ann. "The United States, Great Britain, and the Creation of the Iranian Oil Consortium, 1953-1954." *International History Review* 16 (August 1994): 511-535.

Helleiner, Eric. "The Development Mandate of International Institutions: Where Did it Come From?" *Studies in Comparative International Development* 44: 3 (2009): 189-211.

Hendryx, Franck. "A Sovereign Nation's Legal Ability to Make and Abide by a Petroleum Concession Contract," First Arab Petroleum Congress, 1959, *Middle East Monographs*. Middle East Research and Pub. Center, Beirut, 1960

Hirschman, Albert O. "Rival Interpretations of Market Society: Civilizing, Destructive or Feeble," Journal of Economic Literature (Dec. 1982).

Hirst, Paul. "The Eighty Years' Crisis, 1919-1999 – Power," *Review of International Studies* 24 (1998)

Hogan, Michael J., "Informal Entente: Public Policy and Private Management in Anglo-American Petroleum Affairs, 1918-1924," *Business History Review* (Summer 1974): 187-205.

Hopkins, A. G. "Rethinking Decolonization," *Past and Present* 200: 1 (2008): 211-247.

Hyde, James N. "Permanent Sovereignty over Natural Wealth and Resources," *American Journal of International Law* 50 (1956): 854-867

Imady, Mohammed. "Patterns of Arab Economic Aid to Third World Countries." *Arab Studies Quarterly* 6 (Winter/Spring 1984): 70-91.

Jackson, Robert and Carl Rosberg. "Why Africa's Weak States Persist: The Empirical and the Juridical in Statehood." *World Politics* 35 (1982): 1-24.

Jalal, Ayesha. "Towards the Baghdad Pact: South Asia and Middle East Defence in the Cold War, 1947-1955." *International History Review* 11 (August 1989): 409-433.

Johns, Andrew. "The Johnson Administration, the Shah of Iran, and the Changing Pattern of U.S.-Iranian Relations, 1965–1967: 'Tired of Being Treated like a Schoolboy,'" *Journal of Cold War Studies* 9: 2 (Spring 2007): 64-94.

Josse, Richard. “The Baghdad Pact: Cold War or Colonialism?” *Middle Eastern Studies* 27 (January 1991): 140-156.

Joyce, Miriam. “On the Road towards Unity: The Trucial States from a British Perspective, 1960-66,” *Middle Eastern Studies*: 35: 2 (Apr. 1999): 45-60.

Kabursi, Atif A. and Salim Mansur. “Oil and the Gulf War: An ‘American Century’ or a ‘New World Order.’” *Arab Studies Quarterly* 15 (Fall 1993): 1-17.

Kalb, Marvin and Bernard Kalb. *Kissinger.* New York: Dell, 1975.

Kelley, Jonathan and Herbert S. Klein. “Revolution and the Rebirth of Inequality: A Theory of Stratification in Postrevolutionary Society,” *American Journal of Sociology* 83:1 (Jul. 1977): 78-99.

Keys, Barbara. “Congress, Kissinger, and the Origins of Human Rights Diplomacy” *Diplomatic History* 34: 5 (Nov. 2010): 823-851.

Khalidi, Rashid. “Arab Nationalism: Historical Problems in the Literature.” *American Historical Review* 96 (December 1991): 1363-1373.

Kimball, Jeffrey. “The Nixon Doctrine: A Saga of Misunderstanding,” *Presidential Studies Quarterly* 36: 1 (Mar. 2006): 59-74

Kindleberger, Charles. “The Economic Tasks of the Postwar World,” *Foreign Affairs* (1942).

----. “The Terms of Trade and Economic Development,” *Review of Economics and Statistics* (1958): 72-85.

Klare, Michael, and Daniel Volman, “The African ‘Oil Rush’ and US National Security,” *Third World Quarterly* 27: 4 (2006): 609-628.

Knorr, Klaus. “Economics and International Relations: A Problem in Teaching,” *Political Science Quarterly* 62: 4 (Dec. 1947), 552-568.

Kohn, Hans. “The United Nations and National Self-Determination,” *Review of Politics* 20 (1958): 526-545.

Krasner, Stephen D. “State Power and the Structure of International Trade,” *World Politics* 28: 3 (Apr. 1976): 317-347.

----. “The Great Oil Sheikhdown.” *Foreign Policy* 13 (Winter 1973-1974): 123-138.

Kuhn, Arthur K. “Nationalization of Foreign-Owned Property in its Impact on International Law,” *American Journal of International Law* 45: 4 (1951): 709-712.

Labelle, Maurice Jr. “‘The Only Thorn’: Early Saudi-American Relations and the Question of Palestine, 1945–1949,” *Diplomatic History* 35 (2011): 257–281.

Lawrence, Mark Atwood. “Too Late or Too Soon? Debating the Withdrawal from Vietnam in the Age of Iraq,” *Diplomatic History* 34 (2010): 589–600.

Levinson, Jerome. “A Perspective on the Debt Crisis,” *American University Journal of International Law and Policy* 4: 3 (Summer 1989).

Levy, Walter J. “Oil and the Decline of the West.” *Foreign Affairs* (Summer 1980).

Lewis, W. Arthur. “The Slowing Down of the Engine of Growth,” *American Economic Review* 70 (1979): 555-564.

Lewis, W. Arthur. “The State of Development Theory,” *The American Economic Review* 74: 1 (Mar. 1985).

Libecap, Gary D., and Steven N. Wiggins. “Contractual Responses to the Common Pool: Prorationing of Crude Oil Production,” *The American Economic Review* 74: 1 (March 1984): 87-98.

Lichtblau, John H. “Oil Imports and National Security: Is There Still a Connection?” *The Energy Journal* 15 (1994): 329-348.

Lipson, Charles. “Banker’s Dilemmas: Private Cooperation in Rescheduling Sovereign Debts,” *World Politics* 38 (Oct. 1985): 200-225.

Little, Douglas. “Pipeline Politics: America, TAPLINE, and the Arabs.” *Business History Review* 64 (Summer 1990): 255-285.

----. “The New Frontier on the Nile: JFK, Nasser, and Arab Nationalism,” *The Journal of American History* 75 (1988).

Litwak, Robert S. “Henry Kissinger’s Ambiguous Legacy.” *Diplomatic History* 18: 3 (Summer 1994).

Louis, Wm. Roger. “The British Withdrawal from the Gulf, 1967–71,” *Journal of Imperial and Commonwealth History*, 31:1 (2003): 83–108.

Love, Joseph L. “Raúl Prebisch and the Origins of the Doctrine of Unequal Exchange,” *Latin American Research Review* 15: 3 (1980): 45-72.

----. “The Rise and Decline of Economic Structuralism in Latin America: New Dimensions,” *Latin American Research Review* 40: 3 (2005): 100-125.

MacQueen, Norrie and Pedro Olivieros. “‘Grocer meets Butcher’: Marcello Caetano's London visit of 1973 and the last days of Portugal's Estado Novo,” *Cold War History* 10: 1 (Feb. 2010): 29-50.

Madigan, Andrew J. “What Fame Is: Bukowski’s Exploration of Self,” *Journal of American Studies* 30 (1996): 447-461.

Maier, Charles. “The Politics of Productivity: Foundations of American International Economic Policy after World War II,” in *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States*, ed. Peter J. Katzenstein. Madison: University of Wisconsin Press, 1978

Malnes, Raino. “OPEC and the Problem of Collective Action.” *Journal of Peace Research* 20: 4 (December 1983).

Manela, Erez. “A Pox on Your Narrative: Writing Disease Control into Cold War History,” *Diplomatic History* 34: 2 (April 2010): 299-323.

Markoff, John and Verónica Montecinos. “The Ubiquitous Rise of Economics.” *Journal of Public Policy* 13 (1993): 37-68.

Marsh, Steve. “Anglo-American Crude Diplomacy: Multinational Oil and the Iranian Oil Crisis, 1951–53,” *Contemporary British History* 21: 1 (2007): 25-53.

Matera, Marc. “Colonial Subjects: Black Intellectuals and the Development of Colonial Studies in Britain,” *Journal of British Studies* 49: 2 (April 2010): 388-418.

Mazrui, Ali A. “Africa and the Egyptian's Four Circles,” *African Affairs* 63: 251 (Apr., 1964): 129-141.

McCormick, Thomas J. “Drift or Mastery? A Corporatist Synthesis for American Diplomatic History, *Reviews in American History* 10: 4 (Dec., 1982): 318-330.

McMahon, Robert J. "Eisenhower and Third World Nationalism: A Critique of the Revisionists." *Political Science Quarterly* 101 (Fall 1985): 453-473.
Meier, Gerald M. "International Trade and International Inequality," *Oxford Economic Papers* 10: 3 (1958): 277-289.
Mejcher, Helmut. "King Faisal Ibn Abdul Aziz Al Saud in the Arena of World Politics: A Glimpse from Washington, 1950-1971." *British Journal of Middle Eastern Studies* 31: 1 (May 2004).
Metz, Steven. "In Lieu of Orthodoxy: the Socialist Theories of Nkrumah and Nyerere," *The Journal of Modern African Studies* 20: 1 (1982): 377-392.
Mikdashi, Zuhayr. "Cooperation among Oil Exporting Countries with Special Reference to Arab Countries: A Political Economy Analysis," *International Organization* 28: 1 (Winter 1974): 1-30.
Milne, David. "America's 'Intellectual' Diplomacy," *International Affairs* 86 (2010): 49-68.
Moran, Theodore. "Transnational Strategies of Protection and Defense by Multinational Corporations: Spreading the Risk and Raising the Cost for Nationalization in Natural Resources," *International Organization* 27: 2 (1973).
Moynihan, Daniel Patrick. "The United States in Opposition," *Commentary* (March 1974).
----. "Presenting the American Case," *The Educational Forum* 40: 4 (1976): 469-481.
Muller, Maarten H. Compensation for Nationalization: A North-South Dialogue," *Columbia Journal of Transnational Law* 19: 1 (1981).
Myint, H. "The 'Classical Theory' of International Trade and the Underdeveloped Countries," *The Economic Journal* 68: 270 (June 1958): 317-337.
Nasser, Gamal Abdel. "The Egyptian Revolution," *Foreign Affairs* 33 (1955).
Ndi, George. "The Contractual and Legal Framework for Petroleum Exploration and Production in Cameroon," *Journal for Energy and Natural Resource Law* (1992): 267-278.
Nevo, Joseph. "Religion and National Identity in Saudi Arabia." *Middle Eastern Studies* 34 (July 1998): 34-53.
Niebuhr, Robert. "Nonalignment as Yugoslavia's Answer to Bloc Politicism" *Journal of Cold War Studies* 13: 1 (Winter 2011): 146-179.
Nkrumah, Kwame. "Why 'the Spark.'" Accra: The Spark Publications, 1964.
Nordhaus, William D. "The 1974 Report of the President's Council of Economic Advisers: Energy in the Economic Report." *The American Economic Review* 64: 4 (September 1974): 558-565.
Nowell, Gregory P. "Imperialism and the Era of Falling Prices," *Journal of Post Keynesian Economics* 25: 2(Winter 2002-3): 309-329.
Nurkse, Ragnar. "Some International Aspects of the Problem of Economic Development," *The American Economic Review* 42: 2, Papers and Proceedings of the Sixty-fourth Annual Meeting of the American Economic Association (May 1952): 571-583.
Nye, Joseph. "Energy Nightmares," *Foreign Policy* 40 (Autumn 1980): 132-154.

Oliver, Michael J. and Arran Hamilton, "Downhill from Devaluation: The Battle for Sterling, 1968-1972," *Economic History Review* 60: 3 (August 2007): 486-512.
Owen, E. Roger. "One Hundred Years of Middle Eastern Oil," *Middle East Brief* 24 (2008).
Painter, David S. "Oil and World Power," *Diplomatic History* 17 (Winter 1993): 159-170.
----. "Oil and the Marshall Plan." *Business History Review* 58 (Autumn 1984): 359-383.
Parker, Jason. "Cold War II: The Eisenhower Administration, the Bandung Conference, and the Reperiodization of the Postwar Era," *Diplomatic History* 30: 5 (Nov. 2006): 867-892.
Pederson, Susan. "Getting Out of Iraq—in 1932: The League of Nations and the Road to Normative Statehood," *The American Historical Review* (2010).
Penrose, Edith. "The Development of Crisis." *Daedalus* 104: 4 (Fall 1975): 35-57.
Petersen, Tore Tingvold. "Crossing the Rubicon? Britain's Withdrawal from the Middle East, 1964–1968: A Bibliographical Review," *The International History Review* 22: 2 (2000): 318-340.
Pitelis, Christos N. "Stephen Hymer: Life and the Political Economy of Multinational Corporate Capital," *Contributions to Political Economy* 21: 1 (2002): 9–26.
Powell, Andrew. "Commodity and Developing Country Terms of Trade: What Does the Long Run Show?" *The Economic Journal* 101: 409 (Nov. 1991): 1485-1496.
Prebisch, Raúl, "Commercial Policy in the Underdeveloped Countries," *The American Economic Review* 49: 2, *Papers and Proceedings of the Seventy-first Annual Meeting of the American Economic Association* (May 1959): 251-273.
Ravenhill, John. "What Is to Be Done for the Third World Commodity Exporters? An Evaluation of the STABEX Scheme," *International Organization* 38 (Summer 1984): 537–574.
Rawls, John. "A Kantian Conception of Equality," *Cambridge Review* 96 (February 1975): 94-99.
----. "The Independence of Moral Theory," *Proceedings and Addresses of the American Philosophical Association* 48 (November 1975): 5-22.
Re, Edward D. "Nationalization and the Investment of Capital Abroad," *Georgetown Law Journal* 42 (1953-1954): 44-68.
Rice, Louisa. "Cowboys and Communists: Cultural Diplomacy, Decolonization and the Cold War in French West Africa," *Journal of Colonialism and Colonial History* 11: 3 (2010).
Robertson, Tom. "'This is the American Earth': The American Empire, the Cold War, and American Environmentalism," *Diplomatic History* 32: 4 (2008), 561-584.
Rogge, B.A. "Economic Development in Latin America: The Prebisch Thesis," *Inter-American Economic Affairs* (1956).
Rose, Euclid A. "OPEC's Dominance of the Global Oil Market: The Rise of the World's Dependence on Oil," *Middle East Journal* 58: 3 (2004).
Rosenstein-Rodan, Paul. "Problems of Industrialization of Eastern and South- Eastern Europe," *Economic Journal* 53: 210/211 (1943): 202-11.

----. “The International Development of Economically Backward Areas,” *International Affairs* 20: 2 (April 1944): 157-165.

Ross, Michael L. “Does Oil Hinder Democracy?” *World Politics* 53: 3 (April 2001): 325-361

----. “How Do Natural Resources Influence Civil War? Evidence from Thirteen Cases,” *International Organization* 58: 1 (Winter, 2004): 35-67.

Rotter, Andrew J. “Saidism without Said: *Orientalism* and U.S. Diplomatic History.” *American Historical Review* 105 (October 2000): 1205-1217.

Rubin, Barry. “America and the Egyptian Revolution, 1950-1957,” *Political Science Quarterly* 97 (Spring 1982): 73-90.

Rubin, Seymour J. “Nationalization and Private Foreign Investment: The Role of Government,” *World Politics* 2 (July 1950): 485-510.

Ruggie, John Gerard. “The False Premise of Realism,” *International Security* 20: 1 (Summer 1995): 62-70.

Sachs, Jeffrey D., Andrew Warner, Anders Åslund and Stanley Fischer, “Economic Reform and the Process of Global Integration,” *Brookings Papers on Economic Activity* 25: 1 (1995): 1-118.

Sarkar, Prabirjit. “The North-South Terms of Trade Debate: A Re-examination,” *Progress in Development Studies* 1 (2001): 309-327.

Sato, Shohei. “Britain’s Decision to Withdraw from the Persian Gulf, 1964–68: A Pattern and a Puzzle,” *Journal of Imperial and Commonwealth History* 37:1 (2009): 99–117.

Saul, Samir. “Masterly Inactivity as Brinksmanship: The Iraq Petroleum Company's Road to Nationalization, 1958-1972,” *International History Review* 29: 4 (December 2007): 746-792.

Schofield, Richard. “The Crystallisation of a Complex Territorial Dispute: Britain and the Saudi-Abu Dhabi Borderland, 1966–71,” *Journal of Arabian Studies: Arabia, the Gulf, and the Red Sea* 1: 1 (2011): 27-51.

Schoultz, Lars. “Politics, Economics, and U.S. Participation in Multilateral Development Banks,” *International Organization* 36 (Summer 1982): 537-574.

Schwartz, Thomas A. “Henry Kissinger: Realism, Domestic Politics, and the Struggle Against Exceptionalism in American Foreign Policy *Diplomacy & Statecraft* 22: 1 (May 2011): 121-141.

Siksek, S. G. “The legal framework for oil concessions in the Arab world,” First Arab Petroleum Congress, 1959, *Middle East Monographs*. Middle East Research and Pub. Center, Beirut, 1960.

Silverfarb, D. “The Revision of Iraq’s Oil Concessions, 1949-1952,” *Middle Eastern Studies* 23 (1996): 69-95.

Simpson, Brad. “Indonesia’s ‘Accelerated Modernization’ and the Global Discourse of Development, 1960-1975,” *Diplomatic Histor*y 33:3 (2009): 467-486.

Singer, Hans. “The Distribution of Gains between Investing and Borrowing Countries,” *American Economic Review* 40: 2 (1950): 473-485.

----. “The Terms of Trade and Economic Development: Comment,” *The Review of Economics and Statistics* 40: 1 (Feb. 1958): 85-90.

----. “The Brandt Report: A ‘Northwestern’ Point of View,” *Third World Quarterly* 2: 4 (Oct. 1980).
Smith, Simon C. “Revolution and Reaction: South Arabia in the Aftermath of the Yemeni Revolution,” *The Journal of Imperial and Commonwealth History* 28: 3 (2000): 193-208.
Smith, Simon. French Imperial Outposts in Post-Imperial India, 1947–54,” *European History Review* 3: 2 (1996): 187-197.
Soederberg, Susanne. “The Transnational Debt Architecture and Emerging Markets: the Politics of Paradoxes and Punishment,” *Third World Quarterly* 26: 6 (2005): 927-929.
Speich, Daniel. “The Kenyan Style of ‘African Socialism’ Developmental Knowledge Claims and the Explanatory Limits of the Cold War,” *Diplomatic Histor*y 33:3 (2009): 449-466.
Speller, Ian. “A Splutter of Musketry? The British Military Response to the Anglo-Iranian Oil Dispute, 1951,” *Contemporary British History* 17: 1 (2003): 39-66.
Spruyt, Hendrik. “The End of Empire and the Extension of the Westphalian System: The Normative Basis of the Modern State Order,” *International Studies Review* 2: 2 (Summer 2000): 65-92.
Stevens, Harley C. “Some Reflections on the First Arab Petroleum Congress,” *Middle East Journal* 13: 3 (Summer 1959): 273-280.
Stevens, Paul. “Pipelines or Pipe Dreams? Lessons from the History of Arab Transit Pipelines,” *Middle East Journal* 54 (2000).
Strang, David. “The Inner Incompatibility of Empire and Nation: Popular Sovereignty and Decolonization,” *Sociological Perspectives* 35: 2. *Studies in the New International Comparative Political Economy*. (Summer 1992): 367-384.
Strange, Susan. “International Relations and International Economics: A Case of Mutual Neglect,” *International Affairs* 46: 2 (Apr. 1970): 304-315.
Sunkel, Osvaldo. “Big Business and ‘Dependencia’: A Latin American View,” *Foreign Affairs* 50: 3 (April 1972).
Thant, U. “A Burmese View of World Tensions,” *Annals of the American Academy of Political and Social Science*, Vol. 318, Asia and Future World Leadership (Jul. 1958): 34-42.
Thelen, David. “The Nation and Beyond: Transnational Perspectives on United States History,” *The Journal of American History* 86: 3 (December 1999): 965-975.
Toprani, Anand. “The French Connection: A New Perspective on the End of the Red Line Agreement, 1945-1948,” *Diplomatic History* 36: 2 (April 2012): 261-299.
Toye, John and Richard Toye, *The UN and the Global Political Economy: Trade, Finance, and Development* (Bloomington: University Press of Indiana, 2004)
Toye, John. “Keynes and Development Economics: A Sixty-Year Perspective, *Journal of International Development* 18 (2006): 983-995.
Trentin, Massimiliano. “Modernization as State Building: The Two Germanies in Syria, 1963-1972,” *Diplomatic Histor*y 33:3 (2009): 487-505.

Trentmann, Frank. “Crossing Divides: Consumption and Globalization in History,” *Journal of Consumer Culture* 9: 2 (July 2009):187-220.
Twitchett, Kenneth J. “Colonialism: An Attempt at Understanding Imperial, Colonial, and Neo-Colonial Relationships,” *Political Studies* 13: 3 (October 1965): 300-323.
Tyrell, Ian. “American Exceptionalism in an Age of International History,” *The American Historical Review* 96: 4 (Oct. 1991): 1031-1055.
Van Vleck, Jenifer. “An Airline at the Crossroads of the World: Ariana Afghan Airlines, Modernization, and the Global Cold War,” *History and Technology* 25:1 (2009): 3-24.
Van Wagenen, Richard W. “The Concept of Community in the United Nations,” *International Organization* 19 (June 1965): 812-827.
Viner, Jacob. “Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries,” *World Politics* 1: 1 (Oct. 1948): 1-29.
Vitalis, Robert. “Black Gold, White Crude: An Essay on American Exceptionalism, Hierarchy, and Hegemony in the Gulf,” *Diplomatic History* 26: 2 (Spring 2002): 185-213.
----. “Crossing Exceptionalism’s Frontiers to Discover America’s Kingdom.” *Arab Studies Journal* 6 (Spring 1998): 10-31.
----. “The ‘New Deal’ in Egypt: The Rise of Anglo-American Commercial Competition in World War II and the Fall of Neocolonialism.” *Diplomatic History* 20 (Spring 1996): 211-239.
von Bismarck, Helene. “‘A Watershed in our Relations with the Trucial States’: Great Britain's Policy to Prevent the Opening of an Arab League Office in the Persian Gulf in 1965,” *Middle Eastern Studies* 47: 1 (Jan. 2011): 1-24.
Watt, D. C. “The Decision to Withdraw from the Gulf,” *Political Quarterly* 39: 3 (1968): 310-321.
----. “Britain and the Indian Ocean,” *Political Quarterly*, 42: 3 (1971).
Weiss, W. Michael. “The Twilight of Pan-Americanism: The Alliance for Progress, Neo-Colonialism, and Non-Alignment in Brazil, 1961–1964,” *The International History Review* 23: 2 (2001): 322-344.
Werner Baer, “The Economics of Prebisch and ECLA,” *Economic Development and Cultural Change* 10: 2, Part 1 (Jan., 1962): 169-182.
White, Donald W. “The Nature of World Power in American History: An Evaluation at the End of World War II,” *Diplomatic History* 11 (Fall 1989): 181-202.
White, Nicholas J. “Reconstructing Europe through Rejuvenating Empire: the British, French, and Dutch Experiences Compared,” *Past and Present* 210 (2011): 211-236.
Williams, William Appleman. “The Frontier Thesis and American Foreign Policy,” *Pacific Historical Review* 24: 4 (Nov., 1955): 379-395.
Yergin, Daniel. “Ensuring Energy Security,” *Foreign Affairs* 85: 2 (Mar.-Apr. 2006): 69-82
Zakariya, Hasan S. “Sovereignty over Natural Resources and the Search for a New International Economic Order,” *Natural Resources Forum* 4: 1 (January 1980): 75-84.

----. “The Third World Perspective on Petroleum,” *OPEC Review* 9: 3 (September 1985): 243-265.

Zanasi, Margherita. “Exporting Development: The League of Nations and Republican China” *Comparative Studies in Society and History* 49 (January 2009): 143-169.

Books

Abbas, Alnaswari. *Arab Nationalism, Oil, and the Political Economy of Dependency*. Wesport, Conn.: Greenwood Press, 1991.

Abd el-Wahab Sayed-Ahmed, Muhammad *Nasser and American Foreign Policy, 1952-1956*. London, 1989.

Abir, Mordechai. *Saudi Arabia in the Oil Era: Regime and Elites, Conflict and Collaboration*. Boulder, Colo.: Westview Press, 1988.

Abrahamiam, Ervand. *A History of Modern Iran*. Cambridge: Cambridge University Press, 2008.

Afkhami, Gholam Reza. *The Life and Times of the Shah*. Berkeley: University of California Press, 2009.

Allison, Roy. *The Soviet Union and the Strategy of Nonalignment in the Third World*. Cambridge: Cambridge University Press, 2009.

Alnaswari, Abbas. *Arab Nationalism, Oil, and the Political Economy of Dependency*. Wesport, Conn.: Greenwood Press, 1991.

al-Otaiba, Mana Saed. *OPEC and the Petroleum Industry*. New York: John Wiley and Sons, 1975.

al-Rasheed, Madawi. *A History of Saudi Arabia*. New York: Cambridge University Press, 2002.

Ampiah, Kweku. T*he Political and Moral Imperatives of the Bandung Conference of 1955: The Reactions of the US, UK, and Japan*. Poole, England: Global Oriental, 2007.

Amsler, Alice H. *Asia's Next Giant: South Korea and Late Industrialization*. New York: Oxford University Press, 1992.

Amuzegar, Jahangir. *Managing the Oil Wealth: OPEC’s Windfalls and Pitfalls*. London: I.B. Tauris, 2001.

Anderson, Irvine. *Aramco, the United States, and Saudi Arabia: A Study of the Dynamics of Foreign Oil Policy, 1933-1950*. Princeton, NJ: Princeton University Press, 1981.

----. *The Standard-Vacuum Oil Company and United States East Asian Policy, 1933-1941*. Princeton, NJ: Princeton University Press, 1975.

Anscombe, Frederick F. *The Ottomon Gulf: The Creation of Kuwait, Saudi Arabia, and Qatar*. New York: Columbia University Press, 1997.

Ansell, Martin R. *Oil Baron of the Southwest: Edward L. Doheny and the Development of the Petroleum Industry in California and Mexico*. Columbus: Ohio State University Press, 1998.

Anthony, John Duke, ed. *The Middle East: Oil, Politics, and Development*. Washington: American Enterprise Institute, 1975.

Apter, Andrew. *The Pan-African Nation: Oil and the Spectacle of Culture in Nigeria*. Chicago: University of Chicago Press, 2005.

Arndt, H. W. *Economic Development: The History of an Idea* (Chicago: University of Chicago Press, 1989.

----. *The Rise and Fall of Development: A Study in Contemporary Thought*. London: Longman Cheshire, 1978.

Ashton, Nigel, ed. *The Cold War in the Middle East: Regional Conflict and the Superpowers, 1967-73*. London: Routledge, 2007.

Azimi, Fakhreddin. "The Reconciliation of Politics and Ethics, Nationalism and Democracy: An Overview of the Political Career of Dr. Mohammad Mossadegh," in James A. Bill and Wm. Roger Louis, eds., *Mossadegh, Iranian Nationalism, and Oil*. London: I. B. Tauris, 1988.

Bablawi, Hazem. *The Rentier State in the Arab World.* Berkeley: University of California Press, 1990.

Bacevich, Andrew. *American Empire: The Realities and Consequences of U.S. Diplomacy*. Cambridge, Mass.: Harvard University Press, 2002.

Bairoch, Paul. "Globalization Myths and Realities: One Century of External Trade and Foreign Investment," in Robert Boyer and Daniel Drache, eds. *States against Markets: The Limits of Globalization*. London: Routledge, 1996.

----. *Economics and World History: Myths and Paradoxes*. Chicago: University of Chicago Press, 1993.

Balfour-Paul, Hugh Glencairn. *The End of Empire in the Middle East: Britain's Relinquishment of Power in Her Last Three Arab Dependencies*. New York: Cambridge University Press, 1991.

Bamberg, James H. *The History of the British Petroleum Company: Volume II, The Anglo-Iranian Years, 1928-1954*. Cambridge: Cambridge University Press, 1994.

----. *History of the British Petroleum Company: Volume III, British Petroleum and Global Oil, 1950-1975*. Cambridge: Cambridge University Press, 2000.

Baran, Paul, and Paul Sweezy. *Monopoly Capital: An Essay on the American Economic and Social Order*. New York: Monthly Review Press, 1966.

----. *The Longer View: Essays toward a Critique of Political Economy*. New York: Monthly Review Press, 1970.

----. *The Political Economy of Neo-Colonialism*. New York: Monthly Review Press, 1975.

Bauer, Peter Thomas. *Dissent on Development*. Cambridge, Mass.: Harvard University Press, 1972.

----. *Equality, the Third World, and Economic Delusion*. Cambridge, Mass.: Harvard University Press, 1981.

Bernstein, Michael A. *A Perilous Progress: Economists and Public Purpose in Twentieth-Century America*. Princeton: Princeton University Press, 1991.

Bhagwati, Jagdish. *In Defense of Globalization*. New York: Oxford University Press, 2007.

Bialer, Uri. *Oil and the Arab-Israeli Conflict*. New York: Palgrave McMillan, 1998.

Biersteker, Thomas, and Cynthia Weber, eds., *State Sovereignty as a Social Construct*. Cambridge: Cambridge University Press, 1996.

Bidwell, Robin. *The Two Yemens*. Boulder, CO: Longman group and Westview Press, 1983.

Bill, James A., and Wm. Roger Louis, eds. *Mussadiq, Iranian Nationalism, and Oil*. London: I.B. Tauris & Co., 1988.

----. *The Eagle and the Lion: The Tragedy of American-Iranian Relations*. New Haven, Conn.: Yale University Press, 1988.

Bills, Scott A. *Empire and Cold War: The Roots of U.S.-Third World Antagonism, 1945-1947*. New York: Palgrave MacMillan, 1990.

Bird, Kai. *The Chairman: John J. McCloy, the Making of the American Establishment*. New York, Simon and Schuster, 1992.

Blair, John. *Control of Oil*. New York: Vintage, 1976.

Blanford, David et. al. *Oil Boom and Bust: The Harsh Realities of Adjustment in Cameroon*. Ithaca: Cornell University Press, 1995.

Block, Fred and Margaret R. Somers, “Beyond the Economistic Fallacy: The Holistic Social Science of Karl Polanyi,” in *Vision and Method in Historical Sociology*, ed. Theda Skocpol. Cambridge: Cambridge University Press, 1984, 47-84.

Blyth, Mark. *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*. New York: Cambridge University Press, 2002.

Borgwardt, Elizabeth. *A New Deal for the World: America's Vision for Human Rights*. Cambridge, Mass.: Harvard University Press, 2007.

Brands, H. W. *Into the Labyrinth: The United States and the Middle East, 1945-1993*. New York: McGraw-Hill, 1994.

----. *The Specter of Neutralism. The United States and the Emergence of the Thrid World, 1947-1960*. New York: Columbia University Press, 1989.

Brennan, James. “Radio Cairo and the Decolonization of East Africa, 1953-1964,” in Christopher J. Lee, ed. *Making a World after Empire: The Bandung Moment and Its Political Afterlives*. Columbus: Ohio University Press, 2010.

Brewer, Susan. *Why America Fights: Patriotism and War Propaganda from the Philippines to Iraq*. New York: Oxford University Press, 2009.

Brick, Howard. *Transcending Capitalism: Visions of a New Society in Modern American Thought*. Ithaca: Cornell University Press, 2006.

Bromley, Simon. *American Hegemony and World Oil: The Industry, the State System and the World Economy*. University Park, Pa.: Pennsylvania State University Press, 1991.

Bronson, Rachel. *Thicker than Oil: America’s Uneasy Partnership with Saudi Arabia*. Oxford: Oxford University Press, 2006.

Brown, Anthony Cave. *Oil, God, and Gold: The Story of Aramco and the Saudi Kings*. Boston: Houghton Mifflin, 1999.

Brown, Carl L., ed. *Imperial Legacy: The Ottomon Imprint on the Balkans and the Middle East*. New York: Columbia University Press, 1996.

Brown, Seyom. *The Faces of Power: United States Foreign Policy from Truman to Clinton.* New York: Columbia University Press, 1994.

Bull, Hedley. *The Anarchical Society: A Study of Order in World Politics*. New York: Columbia University Press, 1977.

Bundy, William. *A Tangled Web: The Making of Foreign Policy in the Nixon Presidency*. London: I. B. Tauris, 1998.

Byrne, Malcolm and Mark J. Gasiorowski, eds. *Mohammad Mosaddeq and the 1953 Coup in Iran*. Syracuse: Syracuse University Press, 2004.

Césaire, Aime. *Discourse on Colonialism*. New York: Monthly Review Press, 1973 (1955).

Chamberlin, Paul Thomas. *The Global Offensive: The United States, the Palestine Liberation Organization, and the Making of the Post-Cold War Order*. New York: Oxford University Press, 2012.

Chaudhry, Kiren Aziz. *The Price of Wealth: Economies and Institutions in the Middle East*. Ithaca, NY: Cornell University Press, 1997.

Citino, Nathan J. *From Arab Nationalism to OPEC: Eisenhower, King Saud, and the Making of U.S.-Saudi Relations*, 2nd ed. Bloomington: Indiana University Press, 2005.

----. "Oil and Arab Nationalism in U.S.-Iraqi Relations, 1958-1961," in Kathryn Statler and Andrew Johns, eds. *The Eisenhower Administration, the Third World, and Globalization*. Lanham, MD: Rowan and Littlefield, 2006.

Clark, John G. *The Political Economy of World Energy: A Twentieth-Century Perspective*. Chapel Hill, NC: University of North Carolina Press, 1991.

Cockett, Robert. *Thinking the Unthinkable: Think Tanks and the Economic Counterrevolution, 1931–1983*. London: Harper Collins, 1994.

Cohen, Benjamin J. *International Political Economy: An Intellectual History*. Princeton: Princeton University Press, 2010.

Cohen, Benjamin J. *Question of Imperialism: The Political Economy of Dominance and Dependence*. New York: Basic Books, 1971.

Colby, Jason M. *The Business of Empire: United Fruit, Race, and US Expansion in Central America*. Ithaca: Cornell University Press, 2011.

Connelly, Matthew. *Fatal Misconception: The Struggle to Control World Population*. Cambridge, Mass.: Harvard University Press, 2008.

Cooper, Andrew Scott. *The Oil Kings: How the U.S., Iran, and Saudi Arabia Changed the Balance of Power in the Middle East*. New York: Simon and Schuster, 2011.

Cooper, Frederick and Randall Packard, eds. *International Development and the Social Sciences: Essays on the History and Politics of Knowledge*. Berkeley: University of California Press, 1997.

Cooper, Frederick. *Colonialism in Question: Theory, Knowledge, History*. Berkeley: University of California Press, 2005.

Coronil**,** Fernando. *The Magical State: Nature, Money, and Modernity in Venezuela*. Chicago: University of Chicago Press, 1997.

Crystal, Jill. *Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qatar*. 2nd ed. Cambridge: Cambridge University Press, 1995.
Cullather, Nicholas J. *Illusions of Influence: The Political Economy of United States-Philippines Relations, 1942-1960* (Stanford: Stanford University Press, 1994),
----. *The Hungry World: America's Cold War Battle Against Poverty in Asia*. Cambridge, Mass.: Harvard University Press, 2010.
Dallek, Robert. *Franklin Roosevelt and American Foreign Policy, 1932-1935*. New York: Oxford University Press, 1995.
Darwin, John. "Decolonization and the End of Empire," in Robin W. Winks, ed., *The Oxford History of the British Empire*, Vol. V: *Historiography*. New York: Oxford University Press, 1999.
----. *Britain and Decolonisation: The Retreat from Empire in the Post-War World*. London: Basingstoke, 1988.
----, John. *The Empire Project: the Rise and Fall of the British World System 1830-1970*. New York: Cambridge University Press, 2009.
De Grazia, Victoria. *Irresistible Empire: America's Advance through 20th-Century Europe*. Cambridge, Mass.: Belknap Press, 2007.
Deffeyes, Kenneth S. *Hubbert's Peak: The Impending World Oil Shortage*. Princeton: Princeton University Press, 2001.
de Vries, Margaret. *The International Monetary Fund, 1972-1978*, vol. 2. Washington, D.C.: IMF, 1985.
Dockrill, Saki. *Britain's Retreat from East of Suez: The Choice Between Europe and the World? 1945-1968*. New York: Palgrave Macmillan, 2002.
Dos Santos, Theotonio. "The Structure of Dependence," in K. T. Fann and Donald C. Hodges, eds., *Readings in U.S. Imperialism*. Boston: Porter Sargent, 1971, 225-236.
Dosman, Edgar. *The Life and Times of Raul Prebisch, 1901-1986*. Toronto: McGill – Queens University Press, 2008.
Dreyfus, Robert. *Devil's Game: How the United States Helped Unleash Fundamentalist Islam*. New York: Metropolitan Books, 2005.
Dubois, W.E.B. *The World and Africa*. New York: International Publishers, 1968.
Dunning, Thad. *Crude Democracy: Natural Resource Wealth and Political Regimes*. New York: Cambridge University Press, 2008.
Easterly, William. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Cambridge, Mass.: MIT Press, 2002.
Eckes, Jr., Alfred E. *A Search for Solvency: Bretton Woods and the International Monetary System, 1941-1971.* Austin: University of Texas Press, 1975.
----. *Opening America's Market: U.S. Foreign Trade Policy Since 1776*. Chapel Hill: University of North Carolina Press, 1999.
---- and Thomas W. Zeiler, *Globalization and the American Century*. New York: Cambridge University Press, 2003.
Edsall, Thomas B. *The New Politics of Inequality*. New York: Norton, 1985.
Eichengreen, Barry. *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*. New York: Oxford University Press, 2011.

----. *Globalizing Capital: History of the International Monetary System*, 2nd ed. Princeton: Princeton University Press, 2008.
Elm, Mostafa. *Oil, Power, and Principle: The Iranian Nationalization and Its Aftermath*. Syracuse: Syracuse University Press, 1994.
Emerson, Rupert. *From Empire to Nation: The Rise to Self-Assertion of Asian and African Peoples*. Cambridge, Mass.: Harvard University Press, 1974 (1960).
----. *Malaysia: A Study in Direct and Inderect Rule*. Kuala Lampur: University of Malaya Press, 1966.
----. *Self-Determination Revisited in the Era of Decolonization*. Center for International Affairs, Harvard University, 1964.
----. *The Political Awakening of Africa*. New York: Greenwood Press, 1981.
Engerman, David, Nils Gilman, Mark Haefele, and Michael Latham eds. *Staging Growth: Modernization, Development, and the Global Cold War*. University of Massachusetts Press, 2004.
Engerman, David. *Modernization from the Other Shore: American Intellectuals and the Romance of Russian Development*. Cambridge, MA: Harvard University Press, 2003.
Engler, Robert. *The Politics of Oil: A Study of Private Power and Democratic Directions*. New York: MacMillan, 1961.
Epstein, Edward J. and Armand Hammer, *Dossier: The Secret History of Armand Hammer*. New York: Carroll and Graf, 1999.
Escobar, Arturo. *Territories of Difference: Place, Movements, Life,* Redes. Durham, N.C.: Duke University Press, 2008.
Fain, W. Taylor. *American Ascendance and British Retreat in the Persian Gulf Region*. New York: Palgrave Macmillan, 2008.
Falk, Richard. *Predatory Globalization: A Critique*. Cambridge: Polity Press, 1999.
Fanon, Franz. *The Wretched of the Earth*. New York: Penguin, 1967.
Feis, Herbert. *Europe: The World's Banker, 1870-1914*. New Haven: Yale University Press for the Council on Foreign Relations, 1930.
Ferguson, James. *Global Shadows: Africa in the Neoliberal World Order*. Durham, N.C.: Duke University Press, 2006.
Ferguson, Niall, Charles S. Maier, Erez Manela, and Daniel J. Sargent, *The Shock of the Global*. Cambridge, Mass.: Belknap, 2010.
Fieldhouse, D. K. *The West and the Third World: Trade, Colonialism, Dependence, and Development*. London: Wiley-Blackwell, 1999.
----. *Western Imperialism in the Middle East, 1914–1958*. New York: Oxford University Press, 2006.
Flynn, Thomas. *Sartre, Foucault, and Historical Reason, volume 2: A Post-Structuralist Mapping of History*. Chicago: University of Chicago Press, 2003.
Ford, Alan W. *The Anglo-Iranian Oil Dispute of 1951-1952: A Study of the Role of Law in the Relations of States*. Berkley: University of California Press, 1955.
Foucault, Michele. *Discipline and Punish: The History of the Prison*, trans. Alan Sheridan. New York: Pantheon, 1977.

Fourcade, Marion. *Economists and Societies: Discipline and Profession in the United States*. Princeton: Princeton University Press, 2009.
Frank, Alison Fleig. *Oil Empire: Visions of Prosperity in Austrian Galicia*. Cambridge, Mass.: Harvard University Press, 2007.
Frankel, S. Herbert. *The Economic Impact on Underdeveloped Societies*. Cambridge, Mass.: Harvard University Press, 1953.
Frei, Christoph. *Hans J. Morgenthau: An Intellectual Biography*. Baton Rouge, La: Louisiana State University Press, 2001.
Freiburger, Steven Z. *Dawn over Suez: The Rise of American Power in the Middle East, 1953-1957*. Chicago: Ivan R. Dee, 1992.
Freire Antunes, Jose. *Nixon e Caetano: Promessas e Abandono*. Lisbon: Difusão Cultural, 1992.
Frieden Jeffrey A. and David A. Lake, *International Political Economy: Perspectives on Global Power and Wealth*, 5th ed. New York: Norton, 2009.
Frieden, Jeffrey A. *Global Capitalism: Its Fall and Rise in the Twentieth Century*. New York: W. W. Norton, 2007.
Friedman, Thomas. *The Lexus and the Olive Tree*. New York: Farrar, Straus & Giroux, 1999.
Gaddis, John. *Strategies of Containment: A Critical Appraisal of American National Security Policy during the Cold War*, rev. ed. New York: Oxford University Press, 2005.
----. *The United States and the Origins of the Cold War*. New York: Columbia University Press, 1971.
Galpern, Steve. *Money, Oil, and Empire in the Middle East: Sterling and Postwar Imperialism, 1944-1971*. Cambridge: Cambridge University Press, 2009.
Gardner, Lloyd. *Three Kings: The Rise of an American Empire in the Middle East after World War II*. New York: The New Press, 2009.
Gasiorowski, Mark J. and Malcolm Byrne. *Mohammad Mossadeq and the 1953 Coup in Iran*. Syracuse: Syracuse University Press, 2004.
Gasiorowski, Mark J. *U.S. Foreign Policy and the Shah: Building a Client State in Iran*. Ithaca, NY: Cornell University Press, 1991.
Gause, F. Gregory, III, *Saudi-Yemeni Relations: Domestic Structures and Foreign Influences*. New York: Columbia University Press, 1990.
Gavin, Francis J. *Gold, Dollars, and Power: Politics of International Monetary Relations, 1958-1971.* Chapel Hill: University of North Carolina Press, 2004.
Gershoni, Israel, and James P. Jankowski. *Redefining the Egyptian Nation, 1930-1945*. Cambridge: Cambridge University Press, 1995.
Gikandi, Simon. *Maps of Englishness: Writing Identity in the Culture of Colonialism*. New York: Columbia University Press, 1996.
Gilpin, Robert. *The Political Economy of International Relations*. Princeton: Princeton University Press, 1987.
----. *U.S. Power and the Multinational Corporation*. New York: Basic Books, 1975.

Girvan, Norman. "Economic Nationalism," in *The Oil Crisis*, ed. Raymond Vernon. New York: Norton, 1976, 145-158.

Gleijeses, Piero. *The Guatemalan Revolution and the United States, 1944-1954*. Princeton: Princeton University Press, 1991.

Goode, James F. *The United States and Iran: In the Shadow of Mossadegh*. New York: Palgrave Macmillan, 1997.

Gordon, Joel. *Nasser's Blessed Movement: Egypt's Free Officers and the July Revolution*. New York, 1991.

Gowan, Peter. *The Global Gamble: Washington's Faustian Bid for World Dominance*. New York: Verso, 1999.

Graetz, Michael J. *The End of Energy: The Unmaking of America's Environment, Security, and Independence*. Cambridge, Mass.: The MIT Press, 2011.

Gunder Frank, Andre. *Capitalism and Underdevelopment in Latin America*. New York: Monthly Review Press, 1967.

----. *On Capitalist Underdevelopment*. New York: Oxford University Press, 1975.

----; Immanuel Wallerstein, Giovanni Arrighi, and Samir Amin. *Dynamics of Global Crisis*. London: Macmillan, 1982.

Habermas, Jürgen. *Legitimation Crisis*. Boston: Beacon Press, 1976.

Hahn, Peter L. *The United States, Britain, and Egypt, 1945-1956: Strategy and Diplomacy in the Early Cold War*. Chapel Hill: University of North Carolina Press, 1991.

Hahnimäki, Jussi M. *The Flawed Architect: Henry Kissinger and American Foreign Policy*. New York: Oxford University Press, 2004.

Hall, Peter A., ed. *The Political Power of Economic Ideas: Keynesianism across Nations*. Princeton: Princeton University Press, 1989.

Hallwood, Paul and Stuart W. Sinclair. *Oil, Debt, and Development: OPEC in the Third World*. London: Allen & Unwin, 1981.

Harrington, Michael. *The Other America: Poverty in the United States.* New York: Scribner's, 1962.

Harrison, Brian Howard. *Finding a Role? The United Kingdom, 1970-1990*. Oxford: Clarendon, 2010.

Harvey, David. *A Brief History of Neoliberalism*. New York: Oxford University Press, 2005.

----. *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change*. Oxford: Blackwell, 1989.

Haskell, Thomas L. *The Emergence of Professional Social Science: The American Social Science Association and the Nineteenth Century Crisis of Authority*. Urbana: The University of Illinois Press, 1977.

Hayter, Teresa *Aid as Imperialism*. London: Penguin, 1971.

Heiss, Mary Ann. *Empire and Nationhood: The United States, Great Britain, and Iranian Oil, 1950-1994*. New York: Columbia University Press, 1997.

Helleiner, Eric. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. Ithaca, N.Y.: Cornell University Press, 1994.

Hertog, Steffen. *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia*. Ithaca, NY: Cornell University Press, 2011.

Hirschman, Albert O. *Rival Views of Market Society and Other Recent Essays*. Cambridge, Mass.: Harvard University Press, 1992.

----. *Essays in Trespassing: Economics to Politics and Beyond*. New York: Cambridge University Press, 1981.

----. *National Power and the Structure of Foreign Trade*. Berkeley: University of California Press, 1945.

----. *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*, 20th ann. ed. Princeton: Princeton University Press, 1997 (1977).

Hodgkin, Thomas. "Some African and Third World Theories of Imperialism," S*tudies in the Theory of Imperialism*, Roger Owen and Bob Sutcliffe, eds. London: Longman, 1972.

Hogan, Michael J. "Corporatism," in *Explaining the History of American Foreign Relations,* rev. ed., Michael J. Hogan and Thomas G. Paterson, eds. (Baltimore: Johns Hopkins University Press, 2004.

----. *The Marshall Plan: America, Britain, and the Reconstruction of Western Europe, 1947-1952*. New York: Cambridge University Press, 1991.

----. *A Cross of Iron: Harry S. Truman and the Origins of the National Security State, 1945-1954*. New York: Cambridge University Press, 1995.

Holthus, Manfred et. al. *Multilateral Investment Insurance and Private Investment in the Third World*. New Brunswick: Transaction Press, 1984.

Hoover, Kenneth R. *Economics as Ideology: Keynes, Laski, Hayek and the Creation of Contemporary Politics*. Boston: Rowman and Littlefield, 2003.

Horne, Alistair. *Kissinger: 1973, the Crucial Year.* New York: Simon and Schuster, 2009.

Horowitz, Daniel. *Jimmy Carter and the Energy Crisis of the 1970s: The "Crisis of Confidence" Speech of July 15, 1979*. New York: Bedford/St. Martin's, 2004.

----. *The Anxieties of Affluence: Critiques of American Consumer Culture, 1939-1979*. Amherst: University of Massachusetts Press, 2004.

Howarth, Steven. *A Century in Oil: The "Shell" Transport and Trading Company 1897-1997*. London: Weidenfield and Nicholson, 1998.

Hunt, Michael. *Ideology and U.S. Foreign Policy*. Chapel Hill: University of North Carolina Press, 1987.

Huntington, Samuel P. *Political Order in Changing Societies*. New Haven, Conn.: Yale University Press, 1968.

Hurewitz, J. C., ed. *Oil, the Arab-Israeli Dispute, and the Industrial World: Horizons of Crisis*. Boulder: Westview, 1976.

Hussein, Adil. *Iraq the Eternal Fire: 1972 Iraqi Oil Nationalization in Perspective*, trans. A.W. Lúlúa. London: Third World Center for Research and Publishing, 1981.

Hyam, Ronald. *Britain's Declining Empire: The Road to Decolonisation, 1918–1968*. New York: Cambridge University Press, 2006.

Hymer, Stephen H. "The Multinational Corporation and the Law of Uneven Development," in Jagdish N. Bhagwati, ed., *Economics and World Order*. New York: MacMillan, 1972, 114-127.
Ikenberry, G. John. *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*. Princeton: Princeton University Press, 2000.
Iriye, Akira. *Cultural Internationalism and World Order*. Baltimore: Johns Hopkins University Press, 2000.
Irwin, Ryan. *The Gordian Knot: Apartheid and the Unmaking of the Liberal World Order, 1960-1970*. New York: Oxford University Press, forthcoming.
Jackson, Robert H. *Quasi-States: Sovereignty, International Relations and the Third World*. New York: Cambridge University Press, 1990.
Jacobs, Meg. "The Conservative Struggle and the American Energy Crisis" in *Rightward Bound: Making America Conservative in the 1970s*, Bruce Schulman and Julian Zelizer, eds. Cambridge, Mass.: Harvard University Press, 2008.
----. *Insiders: The Oil Crisis, Conservative Governance, and the Dismantling of the American State since the 1970s*. New York: Hill and Wang, forthcoming.
James, Harold. *International Monetary Cooperation since Bretton Woods*. New York: Oxford University Press, 1996.
James, William. *A Pluralistic Universe: Hibbert Lectures at Manchester College on the Present Situation in Philosophy*. New York: Longman, Green, and Co., 1909.
Jervis, Robert. *Perception and Misperception in International Politics*. Princeton: Princeton University Press, 1976
Johnson, Chalmers. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford: Stanford University Press, 1982.
Jones, Toby Craig. *Desert Kingdom: How Oil and Water Forged Modern Saudi Arabia*. Cambridge, Mass.: Harvard University Press, 2010.
Joyce, Miriam. *Kuwait, 1945-1996: An Anglo-American Perspective*. London: Frank Cass, 1998.
Kahin, George McT. and Audrey R. Kahin, *Subversion as Foreign Policy: The Secret Eisenhower and Dulles Debacle in Indonesia*. Seattle: University of Washington Press, 1995.
Kapstein, Ethan. *The Insecure Alliance: Energy Crisis and Western Politics since 1944*. New York: Oxford University Press, 1989.
Karl, Terry Lynn. *The Paradox of Plenty: Oil Booms and Petro-States.* Berkeley: University of California Press, 1997.
Katouzian, Homi. *Mussadiq and the Struggle for Power in Iran*. London: I.B. Tauris, 1999.
Katzenstein, Peter J. *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States*. Madison: University of Wisconsin Press, 1977.
Kaufman, Burton I. *The Oil Cartel Case: A Documentary Study of Antitrust Activity in the Cold War Era.* Wesport, CT: Greenview Press, 1978.
Kearns, Doris. *Lyndon Johnson and the American Dream*. New York: Signet, 1976.

Keddie, Nikki. *Modern Iran: Roots and Results of Revolution*. New Haven: Yale University Press, 2003.
Kelley, J. L. *Bringing the Market Back In: The Political Revival of Market Liberalism*. NewYork: New York University Press, 1997.
Keohane, Robert O. *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton: Princeton University Press, 1984/
---- and Joseph S. Nye, Jr., *Power and Interdependence*, 2nd ed. Glenville, IL: Scott, Foresman, 1989.
Kerr, Malcolm. *The Arab Cold War: Gamal 'Abd al-Nasir and His Rivals, 1958-1970*. New York: Oxford University Press, 1971.
Kesharvarzian, Arang. *Bazaar and State in Iran: The Politics of the Tehran Marketplace*. Cambridge: Cambridge University Press, 2007.
Keynes, John Maynard. *General Theory of Employment Interest and Money*. New York: Harcourt, Brace and Co., 1936.
Khadduri, Majid. *Socialist Iraq: A Study in Iraqi Politics since 1968*. Washington: The Middle East Institute, 1981.
Khoury, Philip S., and Joseph Kostiner, eds. *Tribes and State Formation in the Middle East*. Berkeley: University of California Press, 1990.
Kindleberger, Charles. *International Short-Term Capital Movements*. New York: Columbia University Press, 1937.
Kingston, Paul W. T. *Britain and the Politics of Modernization in the Middle East, 1945-1958*. Cambridge: Cambridge University Press, 1990.
Kinzer, Stephen. *All the Shah's Men: An American Coup and the Roots of Middle East Terror*. Hoboken: John Wiley & Sons, 2003.
Klare, Michael T. *Blood and Oil: The Dangers and Consequences of America's Growing Dependency on Imported Petroleum*. New York: Henry Holt, 2004.
Kolko, Gabriel. *Confronting the Third World: United States Foreign Policy, 1945-1980*. New York: Pantheon Books, 1988.
Kolko, Joyce and Gabriel Kolko. *Confronting the Third World: United States Foreign Policy, 1945-1980*. New York: Pantheon Books, 1988.
Kotkin, Stephen. *Armaggeddon Averted: The Soviet Collapse, 1970-2000*. New York: Oxford University Press, 2008.
Kraft, Joseph. *The Mexican Rescue*. New York: Group of Thirty, 1984.
Kramer, Paul. *The Blood of Government: Race, Empire, the United States, and the Philippines*. Chapel Hill: University of North Carolina Press, 2006.
Krasner, Stephen. *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy*. Princeton: Princeton University Press, 1979.
Krasner, Stephen. *Sovereignty: Organized Hypocrisy*. Princeton, N.J.: Princeton University Press, 1999.
Kristol, Irving. *Two Cheers for Capitalism*. New York: Mentor, 1978.
Krippner, Gretta R. *Capitalizing on Crisis: The Political Origins of the Rise of Finance*. Cambridge, Mass.: Harvard University Press, 2011.

Kunz, Diane B. *Butter and Guns: America's Cold War Economic Diplomacy*. New York: The Free Press, 1997.
----. *The Economic Diplomacy of the Suez Crisis*. Chapel Hill: University of North Carolina Press, 1991.
Kuran, Timur. *Islam and Mammon*. Princeton, N.J.: Princeton University Press, 2004.
Kurzman, Charles. *The Unthinkable Revolution in Iran*. Cambridge: Harvard University Press, 2005.
Kuznets, Simon. *Economic Growth of Nations: Total Output and Production Structure*. Cambridge, Mass.: Harvard University Press, 1971.
Lacquer, Walter. *Confrontation: The Middle East and World Politics.* New York: HarperCollins, 1974.
Lafeber, Walter. *Michael Jordan and the New Global Capitalism*. New York : W.W. Norton, 1999.
Lal, Deepak. *The Poverty of "Development Economics."* London: The Institute of Economic Affairs, 1983.
Latham, Michael E. *The Right Kind of Revolution: Modernization, Development, and U.S. Foreign Policy from the Cold War to the Present*. Ithaca: Cornell University Press, 2011.
Lawrence, Mark Atwood. "Universal Claims, Local Uses: Reconceptualizing the Vietnam Conflict, 1945–60," in A. G. Hopkins, ed., *Global History: Interactions between the Universal and the Local* (London: Basingstoke, 2006), 229-252.
Lee, Christopher J. ed. *Making a World after Empire: The Bandung Moment and Its Political Afterlives*. Columbus: Ohio University Press, 2010.
Leffler, Melvyn P. *A Preponderance of Power: National Security, the Truman Administration, and the Cold War*. Stanford, Calif.: Stanford University Press, 1992.
Levy, Walter J. *Oil Strategy and Politics, 1941-1981*. Boulder, CO: Westview Press, 1982.
Lieber, Robert. *Oil and the Middle East War: Europe in the Energy Crisis*. Cambridge, Mass.: Harvard Center for International Affairs, 1976.
Lissakers, Karin. *Banks, Borrowers, and the Establishment: A Revisionist Account of the Debt Crisis*. New York: Basic Books, 1993.
Lofchie, Michael F., ed. *The State of Nations: Constraints on Development in Independent Africa*. Berkeley: University of California Press, 1971.
Logevall, Fredrik and Andrew Preston, eds. *Nixon in the World: American Foreign Relations, 1969-1977.* New York: Oxford University Press, 2008.
Louis, Wm. Roger and Roger Owen, eds., *Suez 1956: The Crisis and Its Consequences*. New York, 1989.
Louis, Wm. Roger. *Ends of British Imperialism: The Scramble for Empire, Suez and Decolonization*. London: I.B. Tauris, 2006.
----. *Imperialism at Bay, 1941–1945: The United States and the Decolonization of the British Empire*. Oxford: Clarendon, 1977.
----. *The British Empire in the Middle East: Arab Nationalism, the United States, and Postwar Imperialism*. New York: Oxford University Press, 1984.

Lovejoy, Arthur. *The Great Chain of Being: The History of an Idea*. Cambridge: Harvard University Press, 1936.
Luard, Evan. *A History of the United Nations*. New York: St. Martin's Press, 1982.
Ludwig-Hoffman, Stefan ed. *Human Rights in the Twentieth Century*. New York: Cambridge University Press, 2011.
Lukes, Steven. *Power: A Radical View*, 2nd ed. New York: Palgrave MacMillan, 2004 (1974).
Manela, Erez. *The Wilsonian Moment: Self-Determination and the International Origins of Anticolonial Nationalism*. New York: Oxford University Press, 2007.
Mattione, Richard P. *OPEC's Investments and the International Financial System*. New York: Brookings Institution, 1987.
Matusow, Alan. *Nixon's Economy: Booms, Busts, Dollars, and Votes.* Lawrence: University of Kansas Press, 1997.
Mazower, Mark. *No Enchanted Palace: The End of Empire and the Ideological Origins of the United Nations*. Princeton: Princeton University Press, 2009
Mazrui, Ali. *The African Condition*. New York: Cambridge University Press, 1980.
----. *Towards a Pax Africana: A Study of Ideology and Ambition*. Chicago: University Of Chicago Press, 1967.
McAlister, Melani. *Epic Encounters: Culture, Media, and U.S. Interests in the Middle East since 1945*. Berkeley: University of California Press, 2005.
McMahon, Robert J. *Colonialism and Cold War: The United States and the Struggle for Indonesian Independence, 1945-49*. Ithaca: Cornell University Press, 1981.
----. *The Limits of Empire: the United States and Southeast Asia since World War II*. New York: Columbia University Press, 1999.
McNeil, William H. *The Pursuit of Power*. Chicago: University of Chicago Press, 1982.
Meadows, Donella H. *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind*. New York: Universe Books, 1974.
Merrill, Karen R. *The Oil Crisis of 1973-1974: A Brief History with Documents*. New York: Bedford/St. Martin's, 2007.
Milani, Abbas. *The Shah*. New York: Palgrave Macmillan, 2011.
Miller, Aaron David. *Search for Security: Saudi Arabian Oil and American Foreign Policy, 1933-1949*. Chapel Hill: University of North Carolina Press, 1980.
Mitchell, Timothy. *Carbon Democracy: Political Power in the Age of Oil*. New York: Verso, 2011.
Mommer, Bernard. *Global Oil and the Nation State*. New York: Oxford University Press, 2003.
Mommsen, Wolfgang. *Theories of Imperialism*. New York: Random House, 1980.
Myrdal, Gunnar. *An International Economy: Problems and Prospects*. New York: Harper, 1956.
----. *Asian Drama: An Enquiry into the Poverty of Nations*, 3 vols. London: Pantheon, 1968.
Nash, Gerald D. *United States Oil Policy, 1890-1964*. Pittsburgh: University of Pittsburgh Press, 1968.

Nasser, Gamal Abdel *Egypt's Liberation: Philosophy of the Revolution*. New York: Public Affairs Press, 1955.

Nehru, Jawaharlal. *Independence and After: Speeches, 1946-1949*. New York: Ayer, 1971.

Ninkovich, Frank. *Modernity and Power: A History of the Domino Theory in the Twentieth Century*. Chicago: University of Chicago Press, 1995.

----. *The Diplomacy of Ideas: US Foreign Policy and Cultural Relations, 1938-1950*. New York: Cambridge University Press, 1981.

Nkrumah, Kwame. *Neo-colonialism: The Last Stage of Capitalism*. London: Heinemann, 1965.

----. *Revolutionary Path*. London: Panaf Books, 1973.

Nowell, Gregory P. *Mercantile States and the World Oil Cartel, 1900-1939* (Ithaca: Cornell University Press, 1994.

Nozick, Robert. *Anarchy, State, and Utopia*. New York: Basic Books, 1974.

Nurske, Ragnar. *Problems of Capital Formation in Underdeveloped Countries* (New York: Oxford University Press, 1953.

O'Brien, Robert, et. al., eds. *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements*. New York: Cambridge University Press, 2000.

O'Connor, Harvey. *The Empire of Oil*, 2nd ed. New York: Monthly Review Press, 1962 (1956).

Odell, Peter R. *Oil and World Power*, rev. ed. New York: Penguin, 1983.

Olien, Diana Davids and Roger M. Olien. *Oil in Texas: The Gusher Age, 1895-1945*. Austin: University of Texas Press, 2002.

Oliveiro, Vernie. "The United States, Multinational Enterprises, and the Politics of Globalization" in Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent eds., *The Shock of the Global: The 1970s in Perspective*. Cambridge, Mass.: The Belknap Press of Harvard University Press, 2010.

Ong, Aihwa. *Neoliberalism as Exception: Mutations in Citizenship and Sovereignty*. Durham, N.C.: Duke University Press, 2006.

Oren, Michael B. *Power, Faith and Fantasy: America in the Middle East, 1776 to the Present*. New York: W. W. Norton, 2007.

Otaiba, Mana Saed al-. *OPEC and the Petroleum Industry*. New York: John Wiley and Sons, 1975.

Ouimet, Matthew. *The Rise and Fall of the Brezhnev Doctrine in Soviet Foreign Policy*. Chapel Hill: University of North Carolina Press, 2003.

Pachauri, R. K. *The Political Economy of Global Energy*. Baltimore: Johns Hopkins University Press, 1985.

Packenham, Robert A. *The Dependency Movement: Scholarship and Politics in Development Studies*. Cambridge, Mass.: Harvard University Press, 1998.

Painter, David S. *Oil and the American Century: The Political Economy of U.S. Foreign Oil Policy, 1941-1954*. Baltimore: Johns Hopkins University Press, 1986.

Palmer, Michael A. *Guardians of the Gulf: A History of America's Expanding Role in the Persian Gulf, 1833-1992*. New York: Free Press, 1992.

Parker, Jason. *Brother's Keeper: the United States, Race, and Empire in the British Caribbean, 1937-1962*. New York: Oxford University Press, 2008.

Parra, Francisco. *Oil Politics: A Modern History of Petroleum*. London: I.B. Tauris, 2004.

Paterson, Thomas. *Contesting Castro: The United States and the Triumph of the Cuban Revolution*. New York: Oxford University Press, 1994.

Peck, James. *Ideal Illusions: How the United States Coopted Human Rights*. New York: Metropolitan Books, 2011.

Penrose, E. and E. F. Penrose. *Iraq: International Relations and National Development*. Boulder: Westview Press, 1978.

Petersen, Tore Tingvold. *The Decline of the Anglo-American Middle East 1961–1969: A Willing Retreat*. Brighton, England: Sussex Academic Press, 2006.

----. *The Middle East between the Great Powers: Anglo-American Conflict and Cooperation, 1952-7*. New York: St. Martin's Press, 2000.

Peterson, J. E. *Yemen: The Search for a Modern State*. Baltimore: Johns Hopkins University Press, 1982.

Pham, Phuong. *Ending "East of Suez": The British Decision to Withdraw from Malaysia and Singapore, 1964-1968*. Oxford: Oxford University Press, 2010.

Philip, George. *The Political Economy of International Oil*. Edinburgh: Edinburgh University Press, 1994.

Pocock, J. G. A. *The Machiavellian Moment*: *Florentine Political Thought and the Atlantic Republican Tradition*, rev. ed. Princeton: Princeton University Press, 2003.

Polanyi, Karl. *The Great Transformation*. Boston: Beacon, 1944.

Polanyi, Michael *The Tacit Dimension*. New York: Doubleday, 1966.

Polk, W. R., and R. L. Chambers, eds. *The Beginnings of Modernization in the Middle East*. Chicago: University of Chicago Press, 1968.

Popper, Karl. *The Poverty of Historicism*. London: Routledge and Kegan Paul, 1957.

Prashad, Vijay. *The Darker Nations: A People's History of the Third World*. New York: The New Press, 2007.

Prebisch, Raúl. *Towards a Dynamic Development Policy for Latin America*. New York: UN, 1963.

----. *Towards a Global Strategy of Development*. New York: UN, 1958.

----. *Towards a New Trade Policy for Development*. New York: UNCTAD, 1964.

Rabe, Stephen G. *The Road to OPEC: United States Relations with Venezuela, 1919-1976*. Austin: University of Texas Press, 1982.

Ramazani, Rouholla K. *Iran's Foreign Policy: A Study of Foreign Policy in Modernizing Nations*. Charlottesville, University of Virginia Press, 1975.

Rashid, Ahmed. *Taliban: Militant Islam, Oil, and Fundamentalism in Central Asia*. New Haven, Conn.: Yale University Press, 2000.

Rawls, John. *A Theory of Justice*. Cambridge, Mass.: Harvard University Press, 1971.

Rodgers, Daniel T. *Age of Fracture*. Cambridge, Mass.: Belknap Press, 2011.

----. *Atlantic Crossings: Social Politics in a Progressive Age*. Cambridge, Mass.: Belknap Press, 1998.

Rodman, Kenneth. *Sanctity vs. Sovereignty: The United States and the Nationalization of Natural Resource Investments*. New York: Columbia University Press, 1988.

Rodrik, Dani. *The Globalization Paradox: Democracy and the Future of the World Economy*. New York: W. W. Norton, 2011.

Rome, Adam. *The Bulldozer in the Countryside: Suburban Sprawl and the Rise of American Environmentalism*. New York: Cambridge University Press, 2001.

Romulo, Carlos P. *The Meaning of Bandung*. Chapel Hill: University of North Carolina Press, 1956.

Rosenberg, Emily S. *Spreading the American Dream: American economic and Cultural Expansion, 1890-1945*. New York: Hill and Wang, 1982.

Ross, Kristin. *Fast Cars, Clean Bodies: Decolonization and the Reordering of French Culture*. Cambridge, MA: MIT Press, 1995**.**

Rostow, Walt W. *Theorists of Economic Growth from David Hume to the Present*. New York: Oxford University Press, 1990.

----. *The Diffusion of Power: An Essay in Recent History*. New York: Macmillan, 1973.

Roth, Philip. *Goodbye Columbus*. New York, 1959.

Roy, Ravi K., Arthur T. Denzau, and Thomas D. Willett, eds. *Neoliberalism: National and Regional Experiments with Global Ideas*. New York: Routledge, 2006.

Rubin, Barry. *Paved with Good Intentions: The American Experience and Iran*. New York: Oxford University Press.

Rubino, Anna. *Queen of the Oil Club: The Intrepid Wanda Jablonski and the Power of Information*. Boston: Beacon Press, 2008.

Rustow, Dankwart A. and John F. Mugno, *OPEC: Success and Prospects*. New York: New York University Press, 1976.

Rustow, Dankwart A. *Oil and Turmoil: America Faces OPEC and the Middle East*. New York: W.W. Norton, 1982.

Saad-Filho, Alfredo, and Deborah Johnston. *Neoliberalism: A Critical Reader*. New York: Pluto Press, 2005.

Sabin, Paul. *Crude Politics: The California Oil Market, 1900-1940*. Berkeley: University of California Press, 2005.

Said, Edward. *Covering Islam: How the Media and the Experts Determine How We See the Rest of the World*. New York: Pantheon Books, 1981.

----. *Orientalism*. New York: Vintage Books, 1978.

Salt, Jeremy. *The Unmaking of the Middle East: A History of Western Disorder in Arab Lands*. Berkeley: University of California Press, 2008.

Sampson, Anthony. *The Seven Sisters: The Great Oil Companies and the World They Shaped.* New York: The Viking Press, 1975.

Sands, Philippe. *Lawless World: America and the Making and Breaking of Global Rules from FDR's Atlantic Charter to George W. Bush's Illegal War*. New York: Viking, 2005.

Sargent, Daniel, "The United States and Globalization in the 1970s," in Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent, eds. *The Shock of the Global: The 1970s in Perspective*. Cambridge, Mass.: Belknap, 2010.
Sarotte, Mary Elise. *Dealing with the Devil: East Germany, Détente, and Ostpolitik*. Chapel Hill: University of North Carolina Press, 2000.
Sassen, Saskia. *Globalization and Its Discontents*. New York: New Press, 1998.
----. *Losing Control? Sovereignty in an Age of Globalization*. New York: Columbia University Press, 1996.
Sawyer, Suzana. *Crude Chronicles: Indigenous Politics, Multinational Oil, and Neoliberalism in Ecuador*. Durham, NC: Duke University Press, 2004.
Sayigh, Yusif A. *Arab Oil Policies in the 1970s: Opportunity and Reponsibility*. London: Croom Helm, 1983.
Scheuerman, William E. *Hans Morgenthau: Realism and Beyond*. New York: Polity Press, 2009.
Schlaim, Avi. *The Iron Wall: Israel and the Arab World*. New York: Norton, 2001.
Schmitz, David F. *The United States and Right-Wing Dictatorships*. New York: Cambridge University Press, 2006.
Schneider, Steven A. *The Oil Price Revolution*. Baltimore: Johns Hopkins University Press, 1983.
Schulman, Bruce and Julian Zelizer, eds. *Rightward Bound: Making America Conservative in the 1970s*. Cambridge, Mass.: Harvard University Press, 2008.
Schumpeter, Joseph A. *Capitalism, Socialism and Democracy*, 5th ed. London: Allen & Unwin, 1976 (1942).
Schwartz, Thomas A. and Matthias Schulz, eds. *The Strained Alliance: U.S.-European Relations from Nixon to Carter*. Cambridge: Cambridge University Press, 2010.
Scott, James C. *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*. New Haven: Yale University Press, 1999.
Senghor, Léopold Sédar. *On African Socialism*. New York: Praeger, 1964.
Seymour, Ian. *OPEC: Instrument of Change*. London: Macmillan, 1980.
Shwadron, Benjamin. *The Middle East, Oil, and the Great Powers*, third ed. New York: Wiley, 1974
Simpson, Bradley R. *Economists with Guns: Authoritarian Development and U.S.-Indonesian Relations, 1960-1968*. Stanford: Stanford University Press, 2008.
Skeet, Ian. *OPEC: Twenty-Five Years of Prices and Politics*. New York: Cambridge University Press, 1988.
Sluglett, Marion Farouk and Peter Sluglett, *Iraq since 1958: From Revolution to Dictatorship*. London: I. B. Tauris, 1990.
Sluglett, Peter. "Progress Postponed: Iraqi Oil Policy, Past, Present and Future," in *Oil in the New World Order*, ed. Kate Gillespie and Clement M. Henry. Gainesville: University of Florida Press, 1995.
Smith, Benjamin. *Hard Times in the Lands of Plenty: Oil Politics in Iran and Indonesia*. Ithaca, NY: Cornell University Press, 2007.

Smith, Neil. *American Empire: Roosevelt's Geographer and the Prelude to Globalization*. Berkeley: University of California Press, 2003.
----. *Uneven Development: Nature, Capitalism, and the Production of Space*, 3rd ed. Athens, GA: The University of Goergia Press, 2008.
Smith, Simon C. *Britain's Revival and Fall in the Gulf: Kuwait, Qatar, and the Trucial States*. New York: Routledge, 2004.
----. *Kuwait, 1950-1965: Britain, the al-Sabah, and Oil*. Oxford: Oxford University Press, 1999.
Smith, Tony. *A Pact with the Devil*. New York: Routledge, 2007.
----. *The Pattern of Imperialism: The United States, Great Britain, and the Late-Industrializing World since 1815*. New York: Cambridge University Press, 1981.
Smolansky, Oles, and Bettie Smolansky. *The USSR and Iraq: The Soviet Quest for Influence*. Durham, N.C.: Duke University Press, 1991.
Snyder, Sarah. *Human Rights Activism and the End of the Cold War: A Transnational History of the Helsinki Network*. Cambridge: Cambridge University Press, 2012).
Spiegel, Steven L. *The Other Arab-Israeli Conflict: Making America's Middle East Policy, from Truman to Reagan*. Chicago: The University of Chicago Press, 1985.
Spiro, David E. *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets*. Ithaca, N.Y.: Cornell University Press, 1999.
Staples, Amy. *The Birth of Development: How the World Bank, Food And Agriculture Organization, And World Health Organization Have Changed the World, 1945-1965*. Kent: Kent State University Press, 2006.
Steger, Manfred B. *The Rise of the Global Imaginary: Political Ideologies from the French Revolution to the Global War on Terror*. New York: Oxford University Press, 2008.
Stein, Judith. *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies*. New Haven: Yale University Press, 2010.
Sternfeld, Lior. "Between Abadan and Suez- Mossadegh in Cairo," in Firoozeh Kashani Sabet and Eve Troutt Powell, eds., *From Cairo to Tehran: Historical Ties and Contemporary Connections Between Egypt and Iran*. forthcoming, 2012.
Stevens, Paul. "Iraqi Oil Policy: 1961- 1976," in *Iraq: The Contemporary State*, ed. Tim Niblock,. New York: St. Martin's Press, 1982. 168-190.
Stiglitz, Joseph. *Globalization and its Discontents*. New York: W. W. Norton, 2003.
Stivers, William. *Supremacy and Oil: Iraq, Turkey, and the Anglo-American World Order, 1918-1930*. Ithaca, NY: Cornell University Press, 1982.
Stocking, George W. *Middle East Oil: A Study in Political and Economic Controversy*. Nashville: Vanderbilt University Press, 1970.
Stoff, Michael B. *Oil, War, and American Security: the Search for a National Policy on Foreign Oil, 1941-1947*. New Haven, Conn.: Yale University Press, 1980.
Stork, Joe. *Middle East Oil and the Energy Crisis*. New York: Monthly Review Press, 1975.
Strange, Susan. *States and Markets*. London: Pinter, 1988.
----. *Casino Capitalism*. Oxford: Basil Blackwell, 1986.

----. *The Retreat of the State*. Cambridge: Cambridge University Press, 1996.
Suri, Jeremi. *Henry Kissinger and the American Century*. Cambridge: The Belknap Press of Harvard University Press, 2007.
Sweezy, Paul. *Modern Capitalism and Other Essays*. New York: Monthly Review Press, 1972.
Tarbell, Ida M. *The History of the Standard Oil Company.* New York: McClure, Phillips, and Company, 1904.
Tarrow, Sidney. *Power in Movement: Social Movements and Contentious Politics*, rev. ed. New York: Cambridge University Press, 1998.
Tetreault, Mary Ann. *The Organization of Arab Petroleum Exporting Countries: History, Policies and Prospects*. Westport, Conn.: Greenwood Press, 1981.
Tooze, Adam. *The Wages of Destruction*: *The Making and Breaking of the Nazi Economy*. New York: Penguin, 2006.
Toye, John and Richard Toye. *The UN and Global Political Economy: Trade, Finance, and Development*. Bloomington: Indiana University Press, 2004.
Toye, John. *Dilemmas of Development: Reflections on the Counter-Revolution in Development Theory and Policy*. Oxford: Blackwell, 1987.
Toye, John. *Dilemmas of Development: Reflections on the Counter-Revolution in Development Theory and Policy*. New York: Basil Blackwell, 1987.
Trachtenberg, Marc. *A Constructed Peace: The Making of the European Settlement, 1945-1963*. Princeton: Princeton University Press, 1999.
Tumlir, Jan and T. M. Rybcyznski. "Oil Payments and Oil Debt and the Problem of Adjustment," in T. M. Rybcyznski, ed. *The Economics of Oil Crisis*. London: Macmillan, 1976.
Turner, Louis. *Oil Companies in the International System*. New York: Harper Collins, 1983.
ul Haq, Mahbub. *The Poverty Curtain: Choices for the Third World*. New York: Columbia University Press, 1977.
Venn, Fiona. *The Oil Crisis*. London: Pearson Education, 2002.
Vernon, Raymond, ed. *The Oil Crisis*. New York: Norton, 1976.
----. *Sovereignty at Bay: The Multinational Spread of U.S. Enterprises.* Cambridge, Mass. Harvard University Press, 1971.
Vietor, Richard H. K. *Energy Policy in America since 1945: A Study of Business-Government Relations*. New York: Cambridge University Press, 1984.
Viner, Jacob. *International Trade and Economic Development*. London: Clarendon, 1953.
----. *The Role of Providence in the Social Order* (Princeton: Princeton University Press, 1972.
Vitalis, Robert. *America's Kingdom: Mythmaking on the Saudi Oil Frontier*. Stanford: Stanford University Press, 2006.
Vogel, David. *Trading Up: Consumer and Environmental Regulation in a Global Economy.* Cambridge, Mass.: Harvard University Press, 1995.

Volcker, Paul and Toyoo Gyohten. *Changing Fortunes: The World's Money and the Threat to American Leadership.* New York: Three Rivers Press, 1993.

Waddams, Frank C. *The Libyan Oil Industry.* Baltimore: Johns Hopkins University Press, 1980.

Walker, J. Samuel. *Containing the Atom: Nuclear Regulation in a Changing Environment, 1963-1971.* Berkley: University of California Press, 1992.

Wall, Bennett H. *Growth in a Changing Environment: A History of Standard Oil Company (New Jersey) 1950-1972 and Exxon Corporation 1972-1975*. New York: McGraw Hill, 1989.

Wallerstein, Immanuel. *The Capitalist World-Economy*. Cambridge: Cambridge University Press, 1979.

Warde, Ibrahim. *Islamic Finance in the Global Economy*. Edinburgh: Edinburgh University Press, 2000.

Weinberg, Steve. *Taking Down the Trust: How Ida Tarbell Brought Down John D. Rockefeller and Standard Oil.* New York: Norton, 2009.

Westad, Odd Arne. *The Global Cold War: Third World Interventions and the Making of Our Times*. New York: Cambridge University Press, 2005.

Wiles, Mark H. "'Rational Expectations' as a Counter-Revolution," in *The Crisis in Economic Theory*, Daniel Bell and Irving Kristol, eds. New York, 1981.

Wilkins, Mira. *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*. Cambridge: Harvard University Press, 1974.

Williams, Michael C., ed. *Reconsidering Realism: The Legacy of Hans J. Morgenthau*. New York: Oxford University Press, 2007.

Wilson, Joan Hoff. *American Business and Foreign Policy, 1920-1933* (Lexington: University of Kentucky Press, 1971.

Winks, Robin W., ed. *The Oxford History of the British Empire*, Vol. V: Historiography. Oxford: Oxford University Press, 1999.

Wolf, Martin. *Why Globalization Works*. New Haven, Conn.: Yale University Press, 2004.

Woodward, Bob. *Maestro: Greenspan's Fed and the American Boom*. New York: Simon & Schuster, 2000.

Yager, Joseph A. *Energy and U.S. Foreign Policy*. Cambridge, Mass.: Ballinger, 1974.

Yergin, Daniel and Joseph Stanislaw. *The Commanding Heights: The Battle for the World Economy*. New York: Free Press, 1998.

Yergin, Daniel. *The Prize: The Epic Quest for Oil, Money and Power* (New York: The Free Press, 2008 (1991).

Zeiler, Thomas W. *American Trade and Power in the 1960s.* New York: Columbia University Press, 1992.

----. *Free Trade, Free World: The Advent of GATT*. Chapel Hill: University of North Carolina Press, 1999.

Zelizer, Julian. *Arsenal of Democracy: The Politics of National Security from World War II to the War on Terrorism*. New York: Basic Books, 2009.

Ziegler, Philip. *Wilson*. London: Weidenfield and Nicholson, 1993.

Zonis, Marvin. *Majestic Failure: The Fall of the Shah*. Chicago: University of Chicago Press, 1991.
Zubok, Vladislav. *A Failed Empire: The Soviet Union in the Cold War from Stalin to Gorbachev.* Chapel Hill: University of North Carolina Press, 2007.